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NATION'S BUSINESS

JANUARY • 1934

HOUSE
BILL

NO 43211

Problems of the Yardstick

George Otis Smith



The Bureaucratic Food Bill

Paul Hayward



The Map of the Nation's Business and a new Business Barometer



PUBLISHED BY THE CHAMBER OF COMMERCE
OF THE UNITED STATES IN WASHINGTON

THEY'RE SIGNALING

FULL SPEED AHEAD

FOR 1934



Many companies are determined to go forward—to make 1934 one of their greatest years. And they're providing new tools and new methods to do it! Here is the latest aid . . . Teletypewriter Service . . . typing by wire. It's going to help every department speed its operations and cut its costs.

IN MANY businesses, the first of the year is a time for past analysis and future planning.

Is everything possible being done to increase sales and build customer good will? . . . Are orders being handled swiftly enough? . . . Is some modern business aid being overlooked, which would increase the efficiency of the whole organization and lower many operating costs?

Frequently, a thorough examination of a company reveals not merely the need for Teletypewriter Service, but the *opportunities* which it opens up. For example, La Salle & Koch,

Toledo department store, says: "Teletypewriter Service keeps us within two minutes' reach of New York, the greatest market in the world; keeps our stocks of merchandise up to the minute; keeps our prices down to earth."

If you are planning to go ahead during 1934, it will pay you to find out the many ways in which Teletypewriter Service can help. Best of all, this modern business tool *saves* more than it costs.

Your local Bell Telephone Business Office will gladly have a representative give you full details, at your convenience. No obligation.



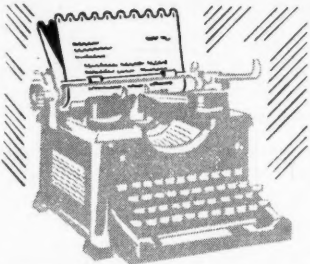
SIMPLIFIED Office Lithography

for NEW STANDARDS of SPEED, QUALITY, ECONOMY!

The How of Multilith



Images to be reproduced by MULTILITH can be drawn directly upon the plate with crayon, pen or brush and ink; or traced through special carbon paper. Artists' sketches, drawings, business forms, and other similar material can thus be reproduced in quantities in a few minute's time, all with the richness which identifies true lithographic work.



Letters, bulletins, instruction sheets, etc., can be produced by typewriting the copy directly upon the MULTILITH plate, through a special ribbon. As described above, the copy can be illustrated with sketches or drawings made upon the same plate. The plate can be immediately placed in the machine, and quantity copies produced.



Complicated subjects, or those involving the use of halftone screens, can be photographed upon a negative, which is then placed in contact with a sensitized MULTILITH plate. The image is printed upon the plate by exposure to light, and then developed in all its detail, ready for reproduction.

Multilith

TRADE MARK

MULTIGRAPH'S LATEST
BIG ACHIEVEMENT!

Thirty years of successful experience in designing and building office duplicating and printing equipment are behind this new machine . . . *the first equipment to bring lithography within the scope of layman utility!*

Now, right in your own office, you can produce letterheads, letters, charts, maps, catalog pages, advertising and sales material, drawings, illustrations, business and factory forms, etc., with the speed, quality and economy that only lithography makes possible. Simple subjects can be reproduced *within a few moment's time* . . . more complicated subjects can be reproduced *within a half hour's time!*

The simplicity of preparing plates for MULTILITH reproduction is illustrated and described at the left. Consider the opportunities which this remarkable new method of lithographic printing will open for you. New economies in printing . . . new profits from increased sales promotion activities . . . in MULTILITH you have an ideal office unit to fill a large percentage of your printing requirements.

SEE MULTILITH DEMONSTRATED!

The Multilith Sales Agency in your locality is ready to demonstrate the SPEED, QUALITY and ECONOMY of MULTILITH at your convenience, without obligation. Phone now for an appointment, or send coupon for further details and actual samples of MULTILITH work.

Addressograph-Multigraph Corporation

1204 Babbitt Road Euclid Branch P. O., Cleveland, Ohio.



772816

Multigraph

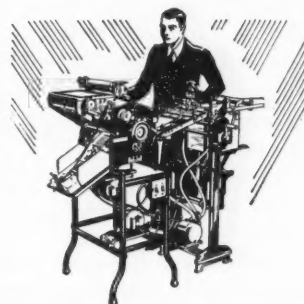
TRADE MARK

Two Models Ready



Model 200 MULTILITH

The world's lowest priced lithographic machine. Recommended for the duplicating of letterheads, letters, office and factory forms, drawings, type areas, and other subjects not involving halftone screens or heavy solids. Machine speed 4000 per hour.



Model 296 MULTILITH

A very compact and completely automatic offset lithographic press for layman operation. Reproduces photographs, illustrations, advertisements, maps, letterheads, forms, etc.; in fact, any line or tone subject within its range of capabilities. Machine speed 5000 per hour.

Please send me actual samples of work produced by MULTILITH.

Name _____

Address _____

City _____ State _____

THIS YEAR

you can DO SOMETHING

about FIRE!

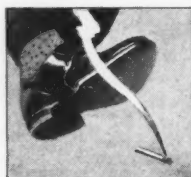


BE CAREFUL WITH LIGHTED MATCHES

Don't drop them into waste paper baskets. Be sure matches are out before you throw them away.

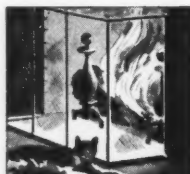
PUT OUT LIGHTED CIGAR AND CIGARETTE STUBS

Stepping on them is a step toward fire safety.



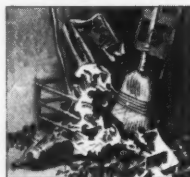
DON'T PUT FURNACE ASHES IN WOOD CONTAINERS

Or near wood partitions. Metal containers have prevented many fires.



SCREEN OPEN FIRES

Continue to enjoy the cheer of an open hearth fire, but use a screen to prevent sparks flying out.



KEEP CORNERS FREE FROM RUBBISH

Spontaneous combustion frequently starts from oil- or grease-soaked refuse.



LOOK FOR THE UNDERWRITERS' LABORATORIES LABEL

on all electrical devices and equipment and on all fire resistive or fire preventive materials.

These are only a few of the more general fire-prevention suggestions. "Safeguarding The Home Against Fire" is an interesting and complete booklet which will gladly be sent to you on request. With it comes a helpful "Home Inspection" blank.

In the public interest, Stock Company Fire Insurance, through The National Board of Fire Underwriters, has

for three-quarters of a century cooperated with federal, state, and municipal authorities in developing modern fire-fighting facilities, adequate water supplies, better building codes, and in urging protection from fire in homes, factories, and offices. We bespeak your cooperation in "doing something" about fire losses in 1934.

Reprints of this advertisement are available in leaflet form.

THE NATIONAL BOARD OF FIRE UNDERWRITERS · NEW YORK—85 John St. · CHICAGO—222 W. Adams St. · SAN FRANCISCO—Merchants Exchange Bldg.
A National Organization of Stock Fire Insurance Companies Established in 1866

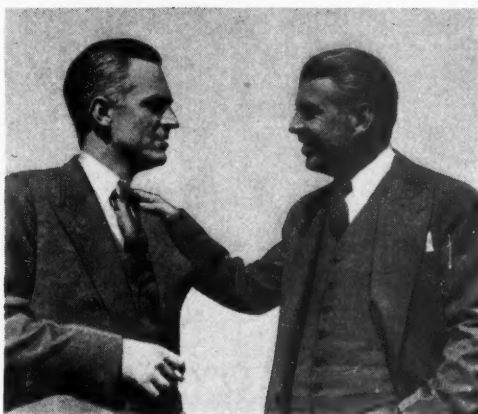
STOCK COMPANY FIRE INSURANCE



is a dependable form of insurance, practically universal in its coverage, and consequently vital to the public interest and the social order. Stability and security and service are outstanding characteristics of stock company fire insurance, the exact cost of which is always definitely known in advance to the policyholder, upon whom no assessment can ever be levied. Competent local agents are available everywhere for prompt and efficient service to the policyholder. Look on your policy for an imprint to show it is issued by a "Stock Company."

When writing to THE NATIONAL BOARD OF FIRE UNDERWRITERS please mention Nation's Business

"You Don't Have to be Rich to **RETIRE AT 55 ON** **\$200 A MONTH"**



"I'LL DRAW an income of \$200 a month *for the rest of my life*, as soon as I'm 55," said a certain man who was discussing his plans for the future.

"How can you do it on *your* salary?" asked his friend.

"Easy," said the first man. "I'm buying a Retirement Income on the installment plan. My income of \$200 a month begins when I'm 55, and it's guaranteed for life. No depression can stop it.

"What's more, if I should drop out of the picture *before* my retirement age, my wife would get a regular monthly income for the rest of her life."

"That sounds good," said the other, "but what if you're totally disabled, and can't make your payments?"

"I don't have to worry about that either. If, before I reach 55, serious illness or accident stops my earning power for six months, then—so long thereafter as I remain disabled—my

installments will be paid for me, and I'll get a Disability Income besides."

"Fine," said the other. "Can you tell me how much this new Retirement Income Plan would cost *me*?"

"Just how much you need to invest in easy monthly installments depends on how old you are, when you want to retire, and the size of the income you will want.

"Why don't you write for the book called 'The Phoenix Mutual Retirement Income Plan'? They'll send you a copy free. It tells all about how the plan works."

AN INVESTMENT THAT PAYS, DEPRESSION OR NO DEPRESSION

Here's *your* chance to find out how little it costs to retire at 55, 60, or 65 with a monthly income of \$100, \$200, \$300 or more. And the same low cost protects you against death or disability.

A 24-page book tells all about this new plan. It tells how you can provide money to leave your home clear of debt, money to send your son to college, money for special needs. It tells how this plan is backed by the Phoenix

Mutual, an 81-year-old company, with more than \$600,000,000 of insurance in force. No cost. No obligation. Send for your copy of this free book today. The coupon is for your convenience.



PHOENIX MUTUAL LIFE INSURANCE CO. 838 Elm St., Hartford, Conn.	
<i>Send me by mail, without obligation, your new book describing THE PHOENIX MUTUAL RETIREMENT INCOME PLAN.</i>	
Name _____	
Date of Birth _____	
Business Address _____	
Home Address _____	



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P. M. L. I. Co.

PHOENIX MUTUAL LIFE INSURANCE COMPANY

Home Office: Hartford, Conn.

Established in 1851

When writing to PHOENIX MUTUAL please mention Nation's Business



ELECTROMATIC

the ALL ELECTRIC Writing Machine

EVERY MOVEMENT
POWER OPERATED

Finger-tip control of every mechanical movement—that's what the ELECTROMATIC Typewriter offers. Carriage return, type segment shift, tabulator, type bars, back spacer, and escapement are power operated and controlled by a two-ounce touch on the key.

The flying fingers of the operator never leave the keyboard... typing rhythm is unbroken... fatigue is reduced to the minimum. Results have proved that with the ELECTROMATIC, speed is increased as much as fifty per cent.

The ELECTROMATIC is not merely a typewriter with a motor attached. It's an entirely new writing machine—designed and built for

FROM THE
KEYBOARD

power operation throughout. Beautiful, even print work is another ELECTROMATIC advantage. This is because

every type character receives the correct power impulse entirely independent of the typist's touch. And when it comes to carbons, the ELECTROMATIC will make as many as twenty carbon copies of silhouette distinctness.

The ELECTROMATIC is used to advantage for all kinds of typing.

Let us tell you more about this latest development in the writing machine field. Your name and address written on the margin of this page will bring you complete information.

ELECTROMATIC TYPEWRITERS DIVISION

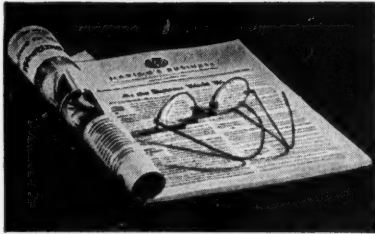
INTERNATIONAL BUSINESS MACHINES CORPORATION

General Office 270
Broadway, New York, N. Y.



Branch offices in all
Principal cities of the world

When writing to your local IBM dealer please mention Nation's Business



Through the EDITOR'S SPECS

Morals from motors

I HAVE not missed the New York automobile show in 11 years. It is a tonic. The motor makers regularly prove themselves our most incorrigible optimists. Let times be hard, they apply themselves harder to the job of giving the consumer more for his money.

What matter that cynics say showmanship is the better part of salesmanship. The fact remains that both mass and luxury producers continually manage to contrive new wonders to coax sustaining dollars from hard-pressed purses.

Fascinating developments will be revealed at these shows. So characteristic is this perennial freshness of design that "change" is rated as a valued stock in trade. That this regard for novelty is much more than an infatuation with an expensive engineering radicalism is suggested in the estimate that "the average consumer is paying \$225 less for a new car than he paid in 1925, but he is getting 346 pounds more of automobile for his money."

In other words, "the price per pound of the average car today is 25.6 cents compared with 38.4 cents in 1925."

What is unveiled in January at New York soon becomes the common denominator the country over. Thanks to advertising, Main Street is as motor wise as Fifth Avenue—and it gets the new models about as soon. The man who said that the automobile industry suffered from a superiority complex paid a high, if unwitting, compliment. No depression can lick a business which meets a contraction in sales with an expansion of ideas.

Curiosity is national

THE appetite for improvement is a besetting quality of the American people. Show them a better way, a shorter process, a more satisfying product, and they will respond with the certainty of sunrise. Were this editorial faith ever to falter, it could

NATION'S BUSINESS

VOLUME 22



NUMBER 1

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CHAMBER OF COMMERCE OF THE UNITED STATES

MERLE THORPE, Editor and Publisher

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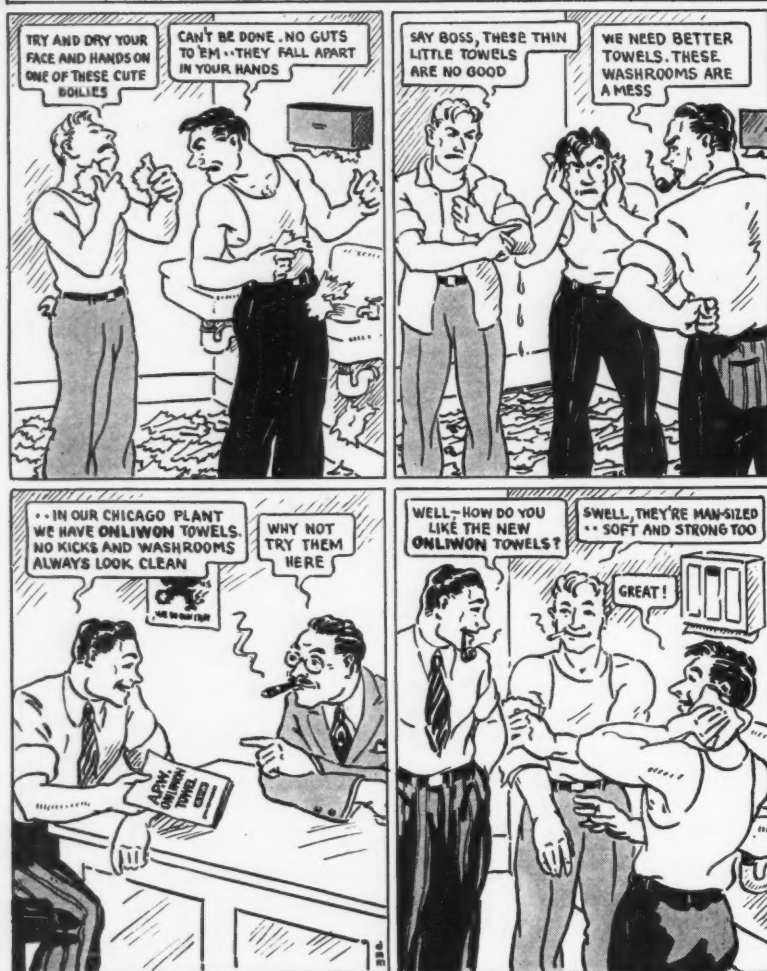
General Office—Washington, United States Chamber of Commerce Building.

Branch Offices—New York, Graybar Bldg. San Francisco, Merchants Exchange Building. Dallas, 1101 Commerce St. Chicago, First National Bank Building. Atlanta, Chamber of Commerce Building.

As the official magazine of the Chamber of Commerce of the United States

this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers. SUBSCRIPTION RATES: Three years, \$7.50; one year, \$3.00. Canada: Three years, \$9.00; one year, \$3.50. Please notify us promptly of change of address —Nation's Business, Washington, D. C.

IT HAPPENS IN THE BEST REGULATED PLANTS



"NEVER send a boy to do a man's job!" Undersized, single-fold towels just aren't built to stand the gaff of whistle time service in modern plants. It takes improved A. P. W. Onliwon Towels to give the boys what they want—a quick, thorough dry.

They're double-folded, thereby doubly absorbent and doubly hard to puncture with wet hands. One Onliwon Towel really does the work of several ordinary towels... and that's economy. With strong-textured Onliwon Towels there is

never an unsightly litter of torn paper to mar the appearance of your washrooms.

Each towel is served fresh from hygienic cabinets... protected from dirt and even germs which often result from casual handling. Onliwon Towels are absolutely safe and sanitary.

Equip your washrooms with A. P. W. Onliwon Towels and its companion service A. P. W. Onliwon Tissues. Washroom morale will be higher and towel costs lower.

A.P.W.

ONLIWON SANITARY WASHROOM SERVICE

A. P. W. Paper Co., Albany, N. Y.

Representatives in leading cities

When writing to A. P. W. PAPER COMPANY please mention Nation's Business

be promptly revived by the briefest reference to the voluminous quest for "more details" about the items which crowd for place on our "Change" page.

North, south, east, and west, the postmarks say that there is no monopoly of reader interest. Curiosity is national, local though its accent may be. As many as 60 letters in one day's mail. An average of 500 inquiries a month.

Business men who see that their world keeps moving after business hours are not content with the mere birth notices of new products. They want to know pedigrees and possibilities of adoption. There are no maximum hours for Kipling's "six honest serving men." "Who," "Where," "What," "How," "When," and "Why" constitute a permanent code for American industries, whatever the state of their economic health.

Children of depression

WHETHER there was life in the Arctic regions remained a moot question until exploration disclosed its existence. The notion that our resourcefulness has been congealed in the frigid clutch of the depression was readably refuted in Dr. Harrison E. Howe's revealing catalog of new contributions by the chemical industries. Only those who have closed their mental highways to the useful traffic of ideas can doubt the persistence of industrial progress in the face of doubt and fear.

And the hardy "Children of the Depression" of which he wrote so knowingly are no "Orphans of the Storm." They are well born, well nourished infants brought into the business world under the beneficent auspices of utilitarian science. Such a plurality of proofs of the vigor of commercial enterprise confirms belief that hard times cannot endure against the purposeful will to make adversity the spur to recovery.

Lessons from Chicago

LIKE the widening ripples energized by the impact of pebble on a pool, the benefits of spending reach far beyond the original point of exchange. Suppose it were possible to trace the money spent en route by visitors to the Chicago exposition. Railroads, bus lines, aviation services, lake steamers, all reported the biggest business in years.

The magnitude of this tributary commerce is suggested in figures provided by the New York Central. From May 27 to October 31, that railway brought 652,127 passengers into Chicago on its 3,228 regular trains, and 1,307 special trains and sections. Other roads reported similar business, and even air lines ran extra sections.

Object lessons in the sensitive inter-relationship of our economic order are so obvious that they usually escape attention. Of the many possible evaluations of Chicago's bold showmanship, none seems more pertinent than the demonstration of the dependence of man upon man, community upon community, section upon section, the whole upon its parts. Prosperity, as Chicago's robust contribution shows, signifies the completeness of an electrical circuit, and not a one-way flash of good times.

The "impersonal" utility

MUCH clean wind has blown through the trumpets since the muckrakers had their

FIVE FINGERS

10 NUMERAL KEYS

...LET'S GO!



LET'S GO, fingers...just five of you...that's enough. No groping for any key at any time. No hesitating. No faltering. No stopping to hunt and peck. Just tap your numerals out *exactly* as you'd *write* them with pen or pencil. Just add or subtract or multiply as your needs dictate...and at a speed that you never thought possible before.

You can buy the Underwood Sundstrand on convenient terms, too, if you wish. See it at the nearest Underwood Elliott Fisher Branch or just telephone for a demonstration in your own office.

Adding Machine Division
**UNDERWOOD ELLIOTT
FISHER COMPANY**
Adding Machines...Typewriters
Accounting Machines
Carbon Papers, Ribbons and other Supplies
342 Madison Ave., New York, N. Y.
Sales and Service Everywhere

+ it adds
× it multiplies
- it subtracts



Model 8140-5
There's an Underwood Sundstrand Model for every purpose...backed by Underwood Sundstrand Service.

Listen to "THE VOICE OF AMERICA" Thursday evenings, 8:30-9:00 E.S.T... Columbia Network...Key Station WABC, New York.

UNDERWOOD SUNDSTRAND

ADDING-FIGURING MACHINES

When phoning your local UNDERWOOD ELLIOTT FISHER dealer please mention Nation's Business

In Winter, too . . .



It's Springtime on the

Air-conditioning is not merely a device to keep you cool in summer. *Genuine* air-conditioning does much more than that. Chesapeake and Ohio felt that there was no reason why passengers should be annoyed by dirt and cinders

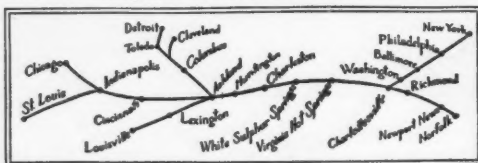
and drafts, even in winter, so we installed *genuine* air-conditioning on all thru trains. The net result is perfect weather, made to order, in *winter too*—very different from the dry, steam-heated stuffiness of the ordinary railroad cars.

THE GEORGE WASHINGTON THE SPORTSMAN • THE F. F. V.

The Finest Fleet of Air-Conditioned Trains in the World

Serving: Washington
New York • Philadelphia
Cincinnati • Louisville
Cleveland • Detroit
Columbus • Toledo
Chicago • Lexington
Indianapolis • St. Louis
Norfolk • Newport News
Richmond • Hot Springs
White Sulphur Springs

The ticket agent of any railroad can route you on the Chesapeake and Ohio. **INSIST UPON IT!**



Send for booklet "How to Spend a Day or Week in Washington." 511 Transportation Bldg., Washington, D. C.

CHESAPEAKE and OHIO

When making reservation on the C. & O. please mention Nation's Business

say about the shame of the cities. It may be, of course, that the present pothole over the tottering credit of financially embarrassed municipalities is only a softer impeachment of political administrations. Whatever the causes of this commonplace instability in public finance, the rescue of Newark's credit by a committee of her bankers and business men is a commentary on a type of emergency which is all too prevalent in this country.

The city owed \$1,400,000 in tax anticipatory notes maturing on the first and second days of December. It had to meet on one day a pay roll of \$1,060,000, and another of \$450,000. To pay these obligations, and to finance the city for two years, a fund of \$11,000,000 has been established.

The fact that the Public Service Corporation of New Jersey contributed \$900,000 to the fund invites notice in view of the fact that some groups in the city have been agitating for a reduction of rates in one of the corporation's subsidiaries. Where acute need is so promptly recognized with private resource, the humane interpretation of the public interest by an impersonal utility is advanced to a broader plane of definition.

A chance meeting

ENTERPRISE and opportunity were usefully joined in Edward Hurley's busy life. His quick grasp of possibilities gave decisive force and direction to the commitment of his powers. The effective versatility associated with his name was a national resource, as those who knew the helpful variety of his public and private interests gratefully acknowledge. How chance beckoned his energies to a new and lucrative phase of his career is its own fodder for philosophizing.

It was Mr. Hurley's custom to walk to his work in Chicago by way of Clark Street. One morning in July, 1896, he switched to Dearborn Street. There he met Mart Kimman, an old friend of his railroad days. Kimman told him that he and his brother had invented an air drill and were producing it in the evening in a barn back of their home. Kimman asked his friend to help market the device.

And so it was that Edward Hurley organized the Standard Pneumatic Tool Company of Chicago, becoming its president and treasurer, and virtually originating and developing the pneumatic tool industry in this country. After six years, he sold his interest in the company for \$1,257,000. Chance, said a poet, fights on the side of the prudent. Experience directs the amendment that it also fights on the side of the vision clear enough to discern it.

Investors' money

AS every accountant knows, taxes constitute a sizable item in the cost of doing business. Not always do they suggest an inquiry into the mounting costs of government. New emphasis on the already ramified federal levies is revealed to the stockholders of General Foods in the Corporation's report for the first nine months of 1933.

The capital stock tax, for which a reserve of \$125,000 was provided during the second quarter, required a further charge of approximately \$35,600 to the third quarter operations. Agricultural adjustment or pro-

cessing taxes with respect to wheat and cotton, paid or accrued for the first time during the third quarter, amounted to \$35,500, not including increased costs by reason of taxes levied on processors of supplies purchased during the period. And, of course, the federal excise tax of five per cent on dividends is still in effect.

Usually a stockholder is actively concerned to know how wisely his capital is used by business management. That the same investor should be indifferent to the disposition of his resources contributed to the Government in tax money is as perplexing as it is paradoxical.

From two viewpoints

WHATEVER aspect of the business situation invites the mind of Col. Leonard Ayres, his judgment is widely attended by the business community. Nowhere is the play of his thought brought to a more characteristic focus than in his book, "The Economics of Recovery" (The Macmillan Company, New York). He says:

Almost the entire recovery program is directed to the prevention of future ills, and not to the cure of the present disease. It is as though we had to do with a town in which a large part of the people were stricken with malaria. The mounting death rate has brought in the experts from outside, and they are busily engaged in draining part of the swampy area about the place, converting other portions of it into lakes, and spraying portions of it with crude oil. Meanwhile a few old-fashioned people are suggesting that the immediate emergency might be better met by giving the sick villagers some quinine pills.

NATION'S BUSINESS said as much in the December issue in a page editorial, "A Program Divided Against Itself." It is significant of something that the spectacle of official distraction looks much the same, whether viewed from a banker's window in Cleveland or from an editorial observatory in Washington.

Modernizing "Liberty"

IN the midst of Washington's alarms, the official concern for the preservation of the Statue of Liberty comes as a sort of Administration comfort. As the Department of the Interior reports it, 2,500 man days of work, or approximately five months' work for 25 men will be provided through the allotment of \$25,000 of public works funds. What with watersoaked foundations and leaky seams in the copper sheathing, the lighting system also is said to be inadequate to guiding visitors through the internal gloom. With expectation warmed at the thought of a restoration of the solid symbolism of Liberty, satisfaction is tempered with the chill mortuary touch of the Department's designation of "monument." To admit the mortality of an ideal would outdo the novelty of the New Deal itself. Possibly the fact is that Liberty has not deteriorated at base, but rather is in the revising state signified by "alterations in progress."

M.T.

The Old Days are Back BUT the Old Ways are left behind



Particularly timely with the repeal of prohibition, Pneumatic announces the development of a combined cleaning and filling unit that represents the newest and most advanced method of automatic bottling. It combines the two major operations of filling and cleaning (formerly requiring two or more machines) in one machine . . . with the resultant saving in cost and space and desirable simplification of the bottling process . . . This new unit, combined with the Pneumatic Rotary Capping Machine, is a completely automatic bottle cleaning, filling, and capping plant in itself.

The thirty-sixth state is in. Liquor comes back. Distilleries resume operations!

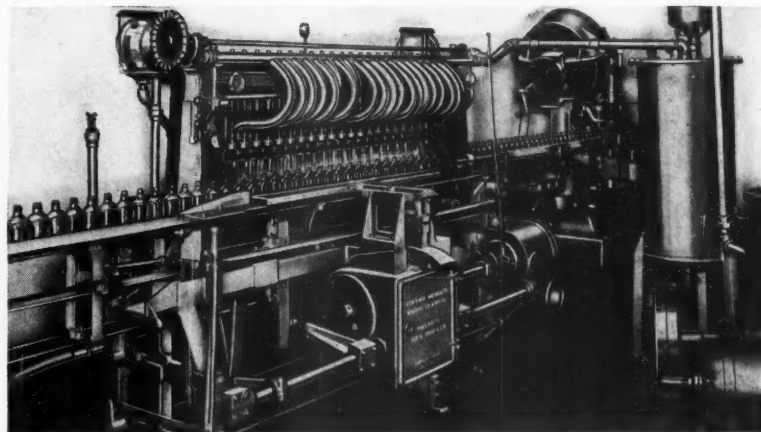
In the meantime, fifteen years have passed . . . fifteen years of progress and development in bottling and capping equipment. For, while distilleries have been idle, pharmaceutical houses, with their complex problems of filling and capping bottles and jars of varying shapes and sizes, have forced the improvement of automatic bottling machinery at a rapid rate . . . The requirements of these companies have been met by Pneumatic bottling equipment which has become recognized and widely used as the most advanced type of automatic machinery for bottling and capping.

This Pneumatic equipment, which has thus been tried and tested for fifteen years in pharmaceutical houses, is ideally fitted for the requirements of distilleries, wineries, rectifiers, and wholesalers of liquor. Pneumatic offers automatic equipment for vacuum cleaning, filling, and capping bottles of any size or shape, in one continuous operation, at any speed up to 120 per minute!

Write for the booklet: "John Barleycorn's Past and Future"—an interesting comparison of new methods and old . . . and a complete story of Pneumatic equipment.

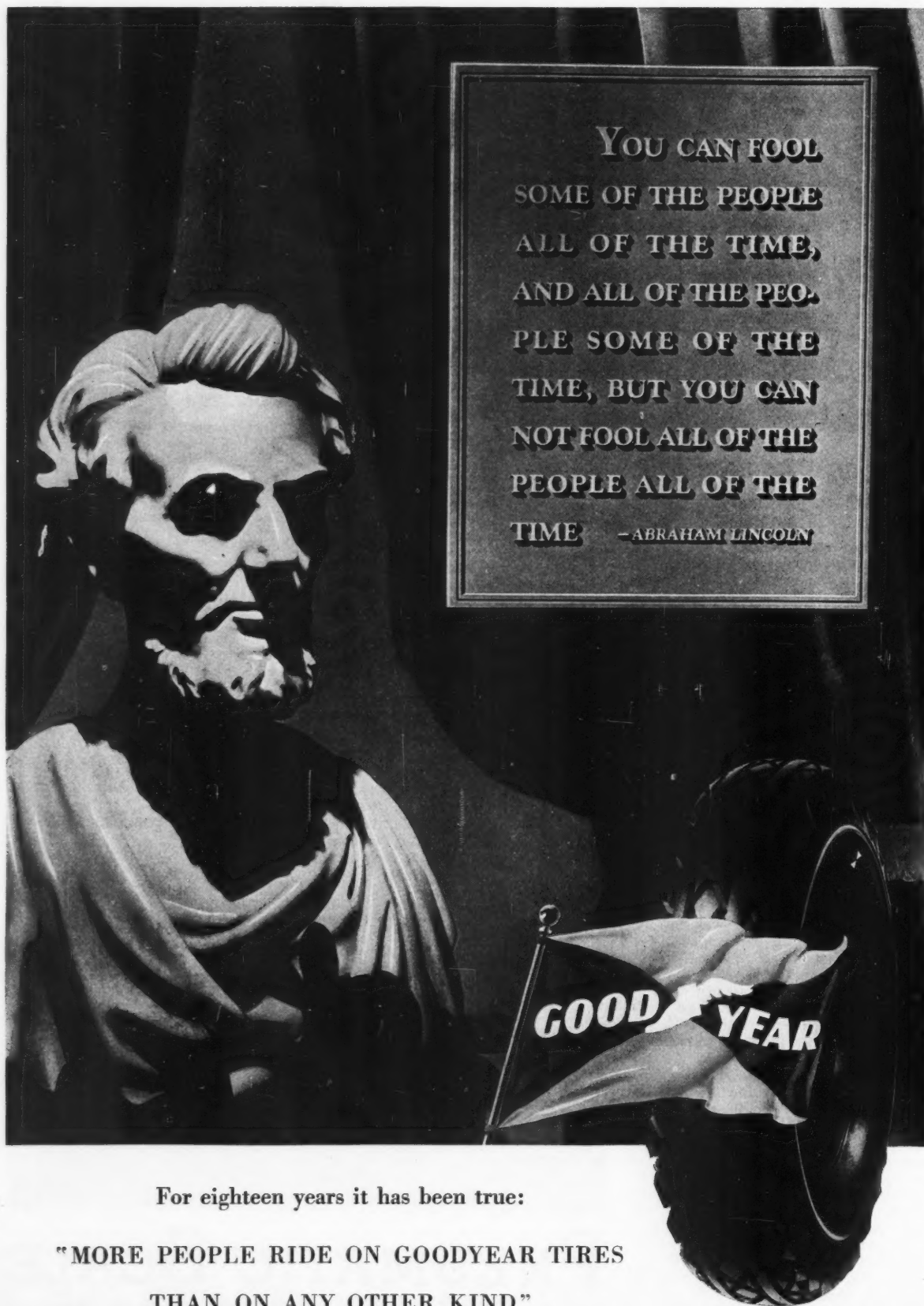
Pneumatic Scale Corporation, Ltd., 67 Newport Avenue, Quincy, Mass.
(Norfolk Downs Station)

Branch Offices in New York, 117 Liberty Street; Chicago, 360 North Michigan Avenue
San Francisco, 320 Market Street
Melbourne, Victoria; Sydney, N. S. W. and Trafalgar House, No. 12 Whitehall, London, Eng.



PNEUMATIC SCALE BOTTLING MACHINERY

When writing to PNEUMATIC SCALE CORPORATION please mention Nation's Business



**YOU CAN FOOL
SOME OF THE PEOPLE
ALL OF THE TIME,
AND ALL OF THE PEOP
PLE SOME OF THE
TIME, BUT YOU CAN
NOT FOOL ALL OF THE
PEOPLE ALL OF THE
TIME —ABRAHAM LINCOLN**

For eighteen years it has been true:
**"MORE PEOPLE RIDE ON GOODYEAR TIRES
THAN ON ANY OTHER KIND"**

When buying GOODYEAR TIRES please mention Nation's Business to the dealer

NATION'S BUSINESS



A MAGAZINE FOR BUSINESS MEN

"You, the People—"

★/JANUARY ONE, the season of stocktaking. The inventory should include two resources, Faith and Courage. How do these items stand?

In broad areas of thought, depression goes hand in hand with a dejected spirit. Enough is apparent, all will admit, in our social life and our political disappointments to invite gloomy contemplation. Even philosophers of eternal hope finally succumb to the devastating contagion. Sun-crowned Emerson once gave way. In 1834 he wrote:

Society has played out its last stroke. It is checkmated. Young men have no hope. Adults stand like day-laborers, idle in the streets. None calleth us to labor. The present generation is bankrupt of principles and hope, as of property.

Mental myopia destroys our perspective of the past, and prevents a normal picture of the future. "It is the God-awful solemnity," said a traveler just back from a coast-to-coast trip, "that gives me the creeps." A sense of impending doom pervades all. Laughter, once boisterous and uncontrolled, faces extinction.

We are victims of mass amnesia. We have forgotten that America is a land of the living, a country which still finds it necessary to erect immigration barriers against the peoples of 60 other nations. A country whose wealth is more widely distributed—demagogues notwithstanding—than any other spot on the face of the earth. We forget that the great adventure, which began with the settlements on the Atlantic Seaboard, is a serial story, not short prose fiction, and great chapters are yet to be written. A country where horizons are ever widened; where thought about ourselves and about others is deepening in the measure of accumulated experience; where the ability to distinguish the things that matter is ripening into appreciable harvests, and where new forms of transporta-

tion and communication are swift servants of these ideas, once so painfully translated by grinding toil and bitter privation. We fail to inventory the yeast of new ambitions, new purposes, no less real, if less picturesque than when formerly dressed in homespun or buckskin.

Our stocktaking should include the fact that the world is no more completed in our day and generation than it was in the covered-wagon period. Even the older cells of civilization are responsive to the stimuli of progress. Jerusalem has ordered 30 miles of pipe to modernize its water system. Lithuania is setting up a million-dollar telephone system. Motor buses are to operate between Damascus and Bagdad. The pitcher, the courier, the caravan, yield place to the producers and services of beneficent vision.

Proclaim black doom; still remains the evidence that the world is not satisfied to stand still. Neither 1834 was, nor will 1934 be, bankrupt of principles and hope, as of property. Only thinking can make it so.

Clayton Rand, of Mississippi, in a letter, provides a New Year's text from the Old Testament:

The walls of Jerusalem were in ruins. The people were panicky and depressed. When Nehemiah urged rebuilding, the people asked him with one acclaim: "But, Nehemiah, who will rebuild the walls?" expecting some supernatural or superhuman relief. Nehemiah, looking at them, said, "You will rebuild them, you, the people." And they set to work while scoffers derided and later shouted: "Their hands will drop the work and it will not be done." But it was done, because the Bible tells us "the heart of the people was in their work."

Mere Thrane



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NATION'S BUSINESS

January • 1934

★ ★ ★

Problems of the Utilities Yardstick

By GEORGE OTIS SMITH Former Chairman, Federal Power Commission

IN the effort to provide a yardstick to show what electric power should cost, the Government is pushing several power projects to completion. Is this practical and will it work?

★ THE new Administration and the "New Deal" have given us a new use of an old word. It has talked of publicly owned power and light properties as "yardsticks" by which a standard of price for electricity may be set up.

The phrase is the President's. In his "Looking Forward" he says:

"The very fact that a community by vote of the electorate may create a yardstick of its own will in most cases guarantee good service and low rates."

Again in the same volume Mr. Roosevelt says that in the Columbia River with the St. Lawrence River, Muscle Shoals and Boulder Dam, "we shall forever have a national yardstick to prevent extortion against the public and to encourage the wider use of the servant of the people—electricity."

The first "yardstick" test will come in the Southeast. Plans are under way for adding to the output of electricity in the territory controlled by the Tennessee Valley Authority. Knoxville has voted to set up a municipally owned plant to distribute the electricity bought from the federally owned Tennessee Valley Authority. There's your "yardstick" complete. Knoxville prices for light and power should be a standard—a "yardstick" for the nation.

But will they?

A unit of measure, to have value, must possess somewhat of the exactness and permanence of a physical constant. Hence the standard needs the sanction of governmental authority. The English foot is believed not to have changed appreciably in several centuries, and the pedigree of this best known unit of measure can be traced far back of that.

In the construction of the Greek Parthenon, the equivalent of the foot was only about a sixth of an inch longer than the present standard, while the Attic foot of even earlier origin was approximately one-third of an inch short.

So, from history, precedent, and custom, there inhere in all standards of measure well recognized qualities of constancy, permanence, and integrity. "Yardstick," for example, carries a connoted meaning—it is too exact a term to be used loosely.

Nevertheless, "yardstick" is the term adopted by the advocates of the new policy as describing the means "by which we may discover what electric power actually ought to cost." At best, this usage is not an exact one, and furthermore it has been given diverse implications even by its sponsors. Thus they admit that not only the performance of private utilities will be measured by this standard, but "public ownership will be on trial." In other words, if the big ventures in public ownership and operation do not work out as intended, then the "spoils system" will have vitiated the Administration's vast experiment in economic measurement—in short, the "yardstick" will be found wanting as a standard of measure.

Not an accurate measure

THIS scientific doubt entertained by Chairman Morgan of the Tennessee Valley Authority, in his recent address before the National Academy of Sciences, suggests the need of subjecting the proposed yardstick to close scrutiny to discover to what extent and in what

particulars it possesses characters promising value as a standard of practical worth. Is the Tennessee Valley Authority project, for example, such in all respects as to give results accurate enough or of sufficiently general application that the game is worth the candle to the taxpayers who may eventually have to pay for it?

It would seem altogether fair to take the Tennessee Valley Authority as a test case, inasmuch as this project represents the best thought and long continued endeavor of those legislators committed to the conception of "a national yardstick to prevent extortion against the public and to encourage the wider use of that servant of the people—electricity." As thus envisaged, the nationalization of the Tennessee Valley is to serve the double purpose of protecting the dwellers therein and of guiding them to a fuller and broader life: in short, the Tennessee Valley Authority yardstick is to provide a standard for hydraulics, economics, and sociology.

In this broader aspect, the project has been described by Director Lilienthal as "an opportunity and a challenge to the people of the South." However, the first objective of the Tennessee Valley Authority more definitely expresses the yardstick idea, that is, "setting up of a measure of public operation of power," and so it is perhaps more practicable to test only this tangible part of the program.

First of all, does the Muscle Shoals power site, with its affiliated dam-sites on the Tennessee, constitute such a project as to afford a trustworthy measure of hydroelectric economics? As one who accompanied the Secretaries of War, Interior, and Agriculture on their tour of inspection of proposed sites for the nitrate plant back in March, 1917, I know at first hand that the usual tests of economic feasibility were not applied.

Unit cost of development counted for little as compared with strategic location; distance from market was not a compelling factor, for nitrogen fixation

was to provide an industrial load close at hand; nor, indeed, under the gathering war clouds, did capital expenditures compare in importance with expedition in construction.

Consequently, the original cost of Wilson Dam and of the standby Sheffield steam plant cannot be taken as normal, even when reduced by navigation value and depreciation. Determining any sort of a standard from such costs must involve mark-downs sufficiently large to yield the desired yardstick length.

The Tennessee Valley Authority's Director in charge of power has made a praiseworthy attempt to be explicit regarding the computations whereby the proposed rates for Muscle Shoals power were obtained. Time was confessedly not available for determining the power value as required by the law. Instead "an estimated property figure" was used, the "basic figure" set up to meet the exigency being "the amount which a business man would be willing to put into a plant at Muscle Shoals" plus 25 per cent "to be conservative."

In a way, such an estimate may be intended to represent a sort of local application of the "prudent-investment" principle. Yet, as a method of determining a standard of measure, estimating costs in this manner, whether before or after the fact, does not predicate a high degree of accuracy in the resultant yardstick. In terms of power generation alone, past expenditures at Muscle Shoals are properly discarded by the Tennessee Valley Authority as not expressing prudent investment, and, indeed, it may be discovered that estimates of future cost of enlarging either this plant or the whole power system on the Tennessee River may require even more than a "25 per cent plus" to make them conservative.

Anyone who has had a working experience with the problem of establishing the original legitimate cost for rate-making or valuation purposes realizes that the unconscious tendency, if not apparent intent, of the power companies is to make the capital accounts sufficiently inclusive to safeguard the interests of their stockholders.

On the other hand, with all the habitual zeal of protectors of the consumer-public interest, the present yardstick makers may similarly be subjected to influences arising from the political desire to deflate the rate base. The pressure upon the government officials entrusted with the keeping of capital accounts may be all the greater in this venture because of well intentioned early promises as to future rates.

Even less convincing is the estimate of costs upon which resale prices are "similarly based." The "substantial and conservative spread" between what the Authority charges the municipality and the retail rate which the Authority sets up as what the municipality shall charge the individual consumer is far less than

always made and rarely kept." To this truism, he adds the assertion that the present Administration's campaign promises are being kept, this being "particularly true in regard to promises relating to the public utilities problem throughout the United States."

Granted that the Tennessee Valley Authority yardstick of promised rates is devised with the intent to serve the public interest and indeed "based on the best available data and weeks of close study and analysis," some genuine doubt may arise whether the available data and time were adequate and, inferentially, whether the yardstick so fashioned will prove adequate to make this great power project what the Tennessee Valley Authority designs it to be, "strictly self-supporting and self-liquidating" and "not a taxpayers' subsidy."

NEARLY 150 NRA codes have been adopted as this magazine goes to press and the industries covered are busy with the problems which the new scheme brings. How are they making out? Are difficulties overbalancing advantages or vice versa? We asked an executive who helped draft his industry's code and is now helping enforce it to tell us how practice compared to hopes. His answer is on page 41

Moreover, if these rates "designed to encourage and make possible the widest use of electric service" prove sufficient to meet the objective in the Authority's policy of making Muscle Shoals "a business enterprise," does it necessarily follow that the Tennessee Valley Authority yardstick can be used for country-wide testing of rates? These rate announcements of mid-September seem to have been planned to serve

what hitherto has been regarded as the average cost of distribution, and yet the phrases quoted above comprise the sum-total of the public's enlightenment on the ways and means of determining cost of distribution.

diverse purposes and uniform success cannot be expected in every direction.

Rates unaffected by facts

A POWER executive of long experience and therefore a natural defender of the privately-owned utilities has characterized the Tennessee Valley Authority's advance schedule as "merely dream rates." Surely more justification would seem appropriate for the resale yardstick by which the Tennessee Valley Authority prescribes the same rate to farm user and city householder, although varying minimum requirements do impart some elasticity to the measuring rod. Another safety factor of expansion in the yardstick is provided by the 100 per cent higher rates charged commercial users for the same amount of current—a yardstick feature which storekeepers and their customers might not endorse. To protect the city there is also an allowable "developmental surcharge" on commercial and power customers when needed to prevent deficits.

As well-timed propaganda, the announcements accomplished one purpose fairly well. Certain it is, however, that whether this new deal in futures proves a far-sighted vision or merely visionary will depend chiefly upon the adequacy of the facts used.

Confessedly, the past of the Muscle Shoals project cannot contribute many facts useful in a quantitative determination of a rate base. As for the future, obviously some uncertainties must arise as to the prices of the material and labor entering into the construction work of the Authority during the next four or five years. These departures from the expected may be large enough to throw out of balance even "a careful estimate of costs, checked against recent actual experience," as described by Director Lilienthal. Therefore, the contract with the City of Tupelo—the first of a series—includes an adjustment clause planned to meet contingencies of changes in price and wage levels. This wholly equitable provision, however, changes the yardstick into a slide-rule.

A pronouncement of one of the professors of law recently called to Washington is that "Political promises are

viewing the whole matter broadly and even charitably, if actual construction costs were known, together with every item of operating expense properly chargeable to a "strictly self-supporting

and self-liquidating" utility, and on the other side of the account, if the basic factor of the volume of business available as the project's market could be approximately ascertained, even then it does not follow that this balance sheet would be applicable generally to other power systems. As yet no simple formula is known to engineers that can reconcile the many variables, physical and economic, that make almost every power development a problem by itself. Even "weeks of close study" can hardly be expected to yield such a universal formula.

By way of showing the effect of some of these variables on the cost of electric service, use can be made of the Dominion statistical reports which provide more up to date facts for Canada than are available for the United States. For this purpose, the nature of the costs in the adjoining provinces of Quebec and Ontario may be compared. With essentially the same capital investment in the electric business, the Quebec power stations turn out some 60 per cent more kilowatt-hours than the Ontario stations, which, however, have three customers to Quebec's two. Thus, the Ontario stations sell four times as much current to household customers, served by $2\frac{1}{2}$ times greater mileage of distribution lines and nearly two-thirds more employees than are needed by the Quebec stations.

Differing costs of distribution

THIS marked difference between what is largely an industrial load in Quebec and a diversified and scattered load in Ontario is reflected in the operating expenses which for Ontario stations are $2\frac{1}{2}$ times those for the Quebec stations. The Quebec stations, however, received in 1931 an average revenue of only 5.2 mills a kilowatt hour as against 9.5 mills in Ontario. Two years earlier the corresponding realizations were 4.7 mills for Quebec and 7.6 mills for Ontario. Incidentally, the latter province is served 80 per cent by municipally owned stations and Quebec 97 per cent by corporation owned stations.

This contrast between wholesaling and retailing electricity is also brought out by the fact that on the average each of the large power customers, of whom there were 2,400 in Quebec, paid in as much as 400 average domestic customers in Ontario. Obviously, with electric service costing the central stations more than twice as much in Ontario as in the neighboring province, it is far from a simple task to forecast a price formula without definite knowledge of the extent and nature of the market and its load—least of all a formula expected to apply uniformly in many states. Most desirable civic virtues though they be, faith, hope and charity cannot substitute for controlling facts.

Nor if we consider the manifold possibilities of variables as encountered in the United States, is the computation simplified. Differences in density of market are first thought of as directly affecting cost of distribution and published compilations show that, among small companies in the same state, the average length of distribution wire per customer may range from 301 feet to 1,100 feet. In the cities, the favorable effect of customer density may be more than offset by the seven-fold greater cost of underground conduits as compared with overhead wiring.

Indeed, the relative cost of underground distribution is so excessive in New York City, where customer density is greatest, that the Edison Company, as I pointed out to the American Society of Civil Engineers two years ago, has built its largest power station close to the load, even though this provision for a short haul involved the purchase of two city blocks in the heart of downtown New York.

The difference in necessary investment in real estate as between this site and one in the Bronx, large as that difference would be, is several times offset by the higher cost of the underground

transmission circuits. Indeed, in terms of kilowatts, the cost of such transmission is two to four times the real estate differential for each mile of distance from the generating plant to the load.

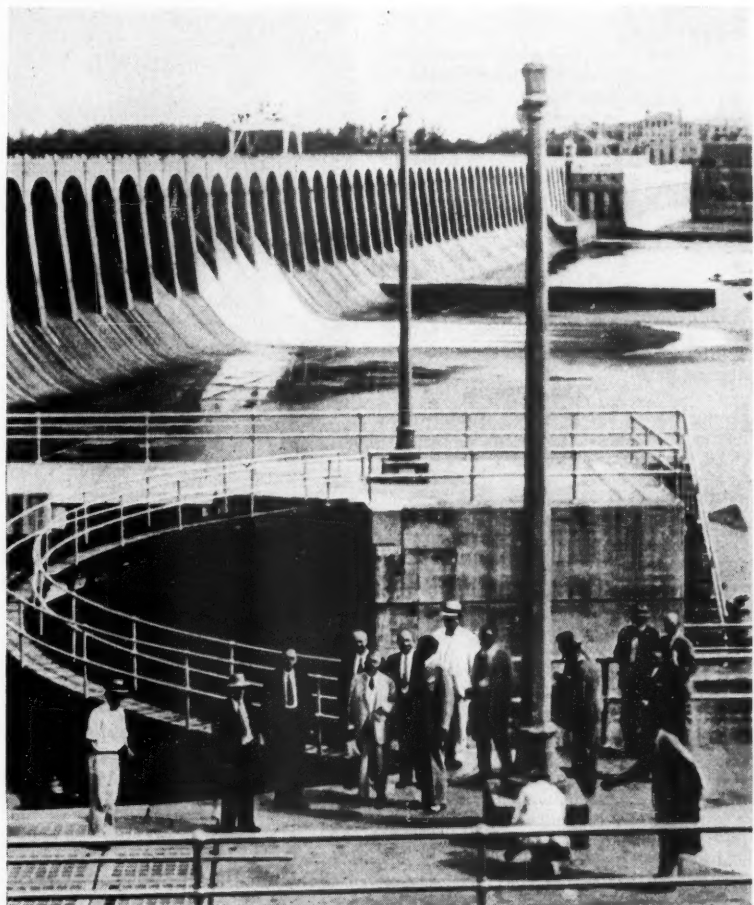
Urgent as is the need for more facts regarding "what electric power actually ought to cost," the Tennessee Valley Authority might better have adopted the procedure of the Federal Power Commission which has undertaken an 18 month study of distribution costs.

Fact-finding cannot safely be bypassed for the sake of expediting the adoption of standardized costs and prices.

For so ambitious a standard of measure as this "TVA yard" we would perforce have to grant a "tolerance" far greater than the British allowance of error, which for the Imperial yard is one-twentieth of an inch if too much or one-fiftieth of an inch if too little.

Is it all necessary?

AND, after all, why the yardstick? Exactly how urgent is the need of spending more than \$200,000,000 in power dams on the Tennessee, Colorado, (Continued on page 70)



Secretary Hurley and a Committee appointed by President Hoover at the request of southern Governors inspect Wilson Dam

No Business Can Escape Change

★ **A new** electrical painting machine applies paint by centrifugal force instead of by air pressure. Easily held in one hand, it is said to give an even, fan-shaped spray ranging up to 18 inches in width, to paint to a sharp line, to stir up no fog. . . .

A plastic rubber, said to be adapted to mending auto tops, tires, boots, etc., making insulation, rubber gaskets, shapes, rug anchors, etc., is on the market. Paste-like, it contains water, is said to dry into tough, elastic rubber. . . .

A new conduit is made of long cord cotton fibers, bonded into a homogeneous mass with a special compound. It's said to meet the most rigid requirements of underground electrical service. . . .

Dust pans, soap dishes, plate and bowl scrapers, drainboard mats and sink strainers, scrapers and racks are now being made of odorless rubber tile in marbled color combinations. . . .

Containing two filaments which may be burned singly or in combination, a new light bulb provides three different levels of illumination. It must be used with a special socket. . . .

A new safety night light consists of a flashlight bulb set into a tiny transformer. It plugs directly into the current outlet, is said to use so little current that ordinary meters do not register it. . . .

Strapping boxes with steel reinforcing strips is speeded by a new hand tool which first tightens the strap, then, at one stroke, applies a seal, seals the joint, cuts the strap from the coil. . . .

A new screw driver, especially designed for spark-plug testing, has a neon tube built into its transparent, nonconducting handle. A brilliant orange flash signals a properly working plug. . . .

Designed to minimize loss of anti-freeze solutions and water, a new radiator control valve for automobiles inserts in the overflow pipe, whistles a warning when the motor overheats. . . .

For milady's handbag, there's a new watch encased in a black molded plastic case, with winding stem stream-lined into the top. A small easel, supplied with it, converts it into a boudoir clock. . . .

Picnickers can now carry their own table and benches with them. The new table, with seats for four, weighs less than 20 pounds, folds into a compact package 36 inches long, 15 wide, 1½ thick. . . .

An end to stained hatbands is promised by a new way of attaching leather inside hats. Instead of being flush with the crown, it's brought out and under a bit, stopping perspiration from creeping up. One line of next summer's straws, fall's felts will have it. . . .

Noiseless operation is said to feature a new rubber-tired, belt-driven lawn mower. It is described as especially adapted to use on terraces and uneven lawns. . . .

One no longer need undo the door chain to admit members of

WHAT new things will the new year bring?

Be sure that they will be many and varied, useful and ingenious. Perhaps some will have revolutionary effects on our lives and times.

Who can await them without a thrill?

the family. A new lock, embodying an inside safety chain attachment, automatically detaches the chain when the key is turned. . . .

A new kitchen ventilator replaces the elbow on the gas range vent. It embodies an electrically driven fan, said to handle 200 cubic feet of air a minute, to cause no radio interference. . . .

Designed to fit atop a radiator or within a warm-air furnace bonnet, a new humidifying unit connects with a water-supply line, needs no overflow connection, keeps itself filled automatically. . . .

Then there's a new portable humidifier, for use over hot-air registers, which has an evaporating surface sufficient to evaporate some nine quarts of water a day. . . .

Lift a new, small, barrel-like cigarette container from its tray, press a button, and a cigarette pops part way out. Puff, and it lights itself instantly. . . .

Electrically heated, a miniature steam generator has been developed for producing small quantities of steam at high or low pressure. . . .

Car owners are offered a new home battery charger which gives overnight boosts to weak batteries. It plugs into a small outlet attached under the dash. . . .

Collapsible tubes for toothpaste, etc., usually sealed at the base with metal clips, can now be sealed with metal of the tube itself through a new automatic filling, closing and sealing machine. . . .

A 43-pound portable cutting machine has been developed for use in metal-working shops. It consists essentially of a blowpipe on an electrically driven chassis. . . .

Wire rope users are offered a new socket having only three parts—socket, sleeve and plug. It is quickly attachable, without flame or hot metal. . . .

Oil well operators are offered a new heater, said to be adaptable to removing water from oil at any well. Its throughput is increasable at will, it operates on waste gas, consists of a limited number of castings, is said to be easily set up, knocked down. . . .

—PAUL HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.



A radio typewriter which will flash messages to receiving machines at distant points by radio waves or wire will soon be on the market

Tax Leaks Which Cost Millions

By SAMUEL B. HILL Representative from Washington

A SUB-COMMITTEE of the House Ways and Means Committee has canvassed federal tax laws and recommended amendments. Mr. Hill, chairman of this sub-committee, discusses here some of the major issues involved. He gives his own opinions and in no sense forecasts congressional action

✓ THE chief source of federal revenue is the income tax. Assuming that, the next step which the Congress must take is to make the income tax fully effective.

It is axiomatic that the small income taxpayer cannot escape this tax. It should also be axiomatic that the large income taxpayer cannot escape the tax on his income. Unfortunately this is not always true.

If the income tax system is to be justly administered it must be made to apply to all taxable incomes, large and small, at the time realized.

Taxpaying has never been a pleasant privilege and this is especially true if the tax paid cannot be added to capital cost and passed on to the next man down the commercial line.

Taxes on incomes cannot easily or wholly be passed on or shifted to some one else. The result is that income tax dodging has come to be almost a racket. It is sometimes a legal avoidance and at other times an illegal evasion. From each of them, the revenue loss is great.

Congress to plug the holes

THE responsibility of preventing illegal evasion of tax payments is upon the administrative officers of the Government. The responsibility of stopping the gap through which the taxpayer avoids legally the payment of a just tax rests upon Congress. The Ways and Means Committee is concerned as to both of these methods of escaping taxes, but it has the direct duty of proposing legislation to put an end to legal avoidance.

The solution of this problem is not a



Representative Hill is chairman of the House sub-committee which studied tax laws

simple matter because the income tax law is filled with interlocking provisions ostensibly designed to simplify and facilitate administration and to eliminate restraints to business enterprises but which actually operate to provide avenues of tax avoidance or indefinite postponement of recognition of realized gains for tax purposes.

Under these apparently plausible provisions large incomes, and especially corporate incomes, escape just taxes amounting to hundreds of millions of

dollars annually. The greatest offender in tax avoidance is the corporation. This is due to the fact that under the income tax structure as presently constituted the provisions of the revenue statute afford greater opportunities to a corporation for such avoidance than to the individual taxpayer. As a consequence, the individual who desires to escape or minimize the tax on his income frequently resorts to a corporate organization for that purpose. The individual pays on both normal and surtax rates.

There are under the present revenue act two normal rates, one of four per cent on the first \$4,000 of taxable income, and the other of eight per cent on all taxable income above \$4,000. The surtax rate begins at \$6,000 and is graduated from one per cent up to 55 per cent on incomes of over \$1,000,000.

No surtax for corporations

THE corporation pays one rate of tax regardless of the amount of income received. That rate at present is 13¾ per cent of the corporate net income. There is no income tax on corporations comparable to the surtax on the incomes of individuals except, of course, that the flat corporate rate of tax is higher than the normal rates which the individual pays.

Formerly there was an excess profits tax with progressive rates on corporate incomes which was, in a sense, comparable to the surtax on incomes of individuals. The excess profits tax was repealed several years ago.

A corporation pays no surtax. There is a distinct advantage in this fact to the corporation over the individual taxpayer in the matter of incomes received from partially tax-exempt United States bonds and dividends from corporations. Corporate dividends distributed to an individual are subject to surtax. Moreover, the interest on certain issues of government bonds is subject to surtax in the hands of an individual. But neither a corporate dividend nor interest on the partially taxable government bond is subject to any tax other than a surtax under existing law.

It is true that the corporation distributing a dividend pays the corporation income tax on all of its net income

including that part distributed as dividends. It is argued that such dividends should not be subject to a second corporation tax in the hands of the corporation stockholder receiving it. However, if the stockholder receiving a corporate dividend is an individual instead of a corporation such dividend is subject to surtax and such surtax is often much greater than the corporation tax.

Postponing income

IT IS argued also that dividends received by a corporation stockholder are ultimately distributed to individual stockholders of the receiving corporation and thus become subject to surtax. This is good as an abstract theory but theories do not always prove themselves in practice. In fact, one of the principal purposes of corporation stockholders is to receive and hold dividends from other corporations in order to avoid payment of surtax thereon.

Corporations are also formed to receive and hold United States bonds which are subject to surtax in the hands of individuals for the specific purpose of avoiding such tax. The excess profits tax having been repealed and a corporation not being subject to surtax, dividends received by a corporation on the capital stock of another corporation and the interest on the partially tax exempt government securities held by

a corporation are wholly tax exempt.

The magnitude of this advantage to corporations is manifest in the matter of federal securities alone when it is understood that, of the \$22,722,597,530 of outstanding United States bonds the interest on \$9,862,542,180 is wholly tax exempt, but that the interest on \$12,860,055,350 of such bonds is only partially tax exempt, being subject to surtax.

Since surtax applies only to incomes of individuals and the excess profits tax on corporate incomes has been repealed, the existing status is that the interest on \$12,860,055,350 of United States bonds is subject to surtax if held by individuals but wholly tax free if held by corporations.

It is probably a fair estimate that 60 per cent of these bonds are held by corporations and that approximately \$270,000,000 of income therefrom is therefore wholly tax free. If such income were in the hands of individuals it would be subject to surtax.

Corporations can avoid taxes

THERE is a popular revulsion against tax exempt items of income but the public has in mind only interest on federal, state, and municipal bonds. While as to corporations the income received from tax exempt securities is large, it is only about one-fifth as large as the income received by corporations from tax ex-

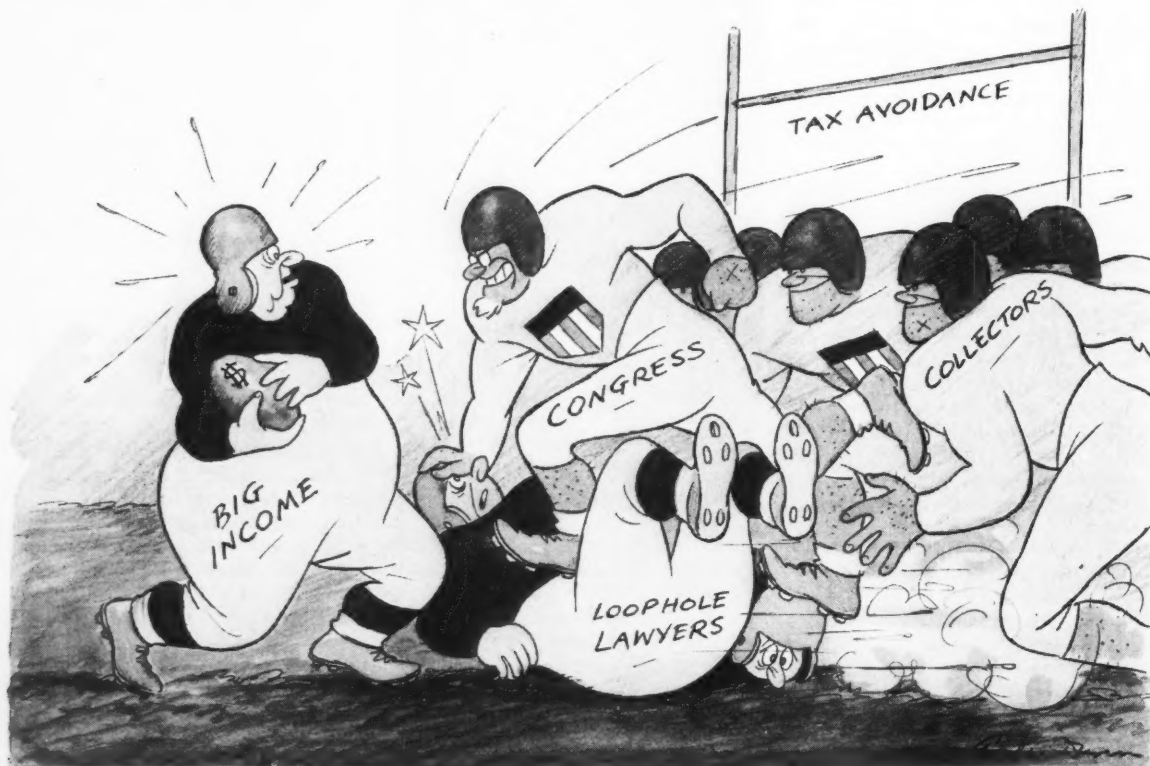
empt dividends on the capital stock of other corporations. In 1930 the total amount of tax exempt interest on federal, state and municipal bonds received by corporations was \$536,260,563 while the total amount of dividends received by corporations on the capital stock of other domestic corporations was \$2,571,230,761. All such receipts, both interest and dividends, are tax-exempt in the hands of the receiving corporations.

A corporation of large income also has an obvious advantage over the individual taxpayer in that the corporate rate of tax remains constant at 13¾ per cent while, in addition to the normal rates, the surtax rate for the individual increases progressively to 55 per cent.

Personal investment companies

THE advantages to the corporation above indicated constitute a strong inducement to the individual whose income is in the higher brackets to organize a holding or investment corporation to receive his income. He would thus be subject to payment of a tax of only 13¾ per cent of his income rather than at a much higher surtax rate. It is common knowledge that such schemes have become prevalent among the large individual income taxpayers. This is a legal avoidance of taxes which Congress intended should be paid. Since the great

(Continued on page 63)



The responsibility of stopping the gap through which the taxpayer avoids legally the payment of a just tax rests upon Congress

What's Ahead in Washington

W. M. Kiplinger *Continues his Correspondence*

*"There is a history in all men's lives . . .
The which observed, a man may prophesy
With a near aim, of the main chances of things
As yet not come to life. . . ." HENRY IV*

Dear Mac:

BEFORE I even begin to make a start on answering your questions on what's ahead in Washington, I think I ought to give you another word of caution against accepting at full face value *any* dogmatic advices from Washington.

I don't mean to run down Washington, or run down any Washington writers or observers. I don't mean to play modest, in so far as I, one of the Washington observers, am concerned.

What I mean is this: You've got hard business problems to decide. Your decision affects not only you but your employees and your customers at buying end and selling end. You need guidance. You are inclined to think that Washington guidance is worth more than anything else.

Perhaps this is true. But *if* it is true, it is all the more reason why you should be highly critical of your Washington information. Don't swallow it whole. Mix it with your other information.

Remember that there's no such thing in Washington as advance information, or inside information, or absolutely dependable, authentic, guaranteed, 100 per cent pure information on future policy.

There's a lot of trash published on future policy. It is made to appear as absolutely definite, as if someone, perhaps the President, had told the writer what was about to happen.

The trouble is that even the President doesn't know precisely. He's still a quarterback in a football game. He knows what he and his team are trying to do. He doesn't know, he can't know, exactly how everything will work out.

Washington policy, political policy, isn't the product of an independent free agent. Washington may seem dictatorial, but isn't. It doesn't do what it thinks ought to be done. It does what it thinks you, *en masse*, think it ought to do, and will let it do.

My job, in relation to you, is that of reporter. Not reporter of past events. They are easy. But reporter of current events, with dotted lines into the future. Dotted lines are never certain lines. They aren't truly prophetic lines. Prophecy is usually easy for the long pull, but less easy for the short pull of a few months.

For the short range, prophecy is less dependable than reporting, if the reporting has the future slant rather than the past slant.

Conservative vs. Radical

THE Government is being pushed harder these days by the radicals and the liberals than by the conservatives. You are essentially conservative, and you don't understand why the Government isn't equally conservative. It is because larger numbers of voters are pulling against you.

It isn't Washington's fault, or Washington's merit. It is

a result of popular thinking and feeling, right or wrong. Washington is the political puppet, more responsive to broad popular will than you think.

If Washington goes beyond the popular will, it soon finds it out and shifts policy.

Congress

CONGRESS opens January 3. It is the same bunch of men who met last March and voted whatever the new President told them to vote. They were scared and docile then.

The question is, Will they be as scared and docile now? No.

A lot of Democratic members of Congress have dropped in recently to chew the rag, to see whether anyone knows what Congress is likely to do. They ripped, snorted and swore at the Executive branch of the Administration. They said they would get up and denounce this and that.

I put each into a corner and asked how he would vote on certain specified propositions. None seemed to know. Most came around finally to an admission that they didn't want to take responsibility for delicate decisions which might be right or might be wrong.

I think Congress will be rambunctious, but that it will go along with the Administration on most matters.

The right-wing conservatives of both parties will denounce the President for going too far to the left. The left-wingers, particularly the wild inflationists, will denounce the President for being too cautious and conservative. These two groups of influence will tend to balance each other, and the Administration will swing the moderates of both parties, will get out of Congress approximately what the Administration wants.

Thus, for the next six months, the executive President rather than the legislative Congress will control Washington policies.

To maintain this control, much compromising will be necessary. Some observers think the President will trim toward the conservative right. I think it is more likely that the trimming will be toward the liberal left.

Congress will leave with the Executive most of the dictatorial powers granted at the last session.

The session probably will end in June, much later than the Administration would desire.

Republicans will devote themselves strongly to making political hay for the congressional elections that will be held next fall.

January in Congress

FIRST, the budget, but months will be required to finish it.

Then a lot of wrangling over Roosevelt appointments, with Farley and the professors as targets.

Then extension of the life of R.F.C. beyond Jan. 24. (Hoover created R.F.C., but Democrats find it useful.)

Then liquor regulation, with a brawl over a model system for the District of Columbia.

Introduction of thousands of bills to remedy, reform and correct everything. Don't get alarmed as these bills are in-

introduced. Wait and see what group interests are behind them, and particularly whether they are Administration bills.

Later Legislation

Taxes. These will be raised on the wealthy by minimizing the allowable deductions and perhaps even by raising some rates, for the Government is badly in need of more tax revenue in the next few years. The capital stock tax and the excess profits tax probably will be reimposed. It will take several months to work out the new tax program in Congress.

Banking. The Wiggin disclosures make it absolutely certain that banking will be brought under much stricter control and regulation by the federal Government, and with less opposition from conservatives than would have seemed possible before the Wiggin incident.

To socialize banking is the Administration's aim. I don't know just how far Congress will go at this session. But remember that the federal Government already has a tight grip on the banks, through the deposit insurance system, and through government ownership of preferred stock in many banks.

Probably few important changes will be made in insurance of deposits. The permanent plan will go into effect July 1, replacing the temporary plan of January 1.

Some extension of branch banking is probable, to provide banking facilities for many small communities whose local banks can't earn a living. They will become branches of near-by city banks.

The profit possibilities in commercial banking (and in other forms of financing) will be reduced by the various new government measures for bank regulation.

The Securities Act will be amended to make the operations a little easier for flotations, but the temper of Congress is such that no vital revision need be expected. There's still wrath over the security frauds of the boom era.

Some sort of government-owned national bank may be set up, to be a bank for bankers, but I don't know exactly what, when or how. Possibly something like the "Bruere bank," plans for which were made, then temporarily abandoned a few months ago.

The Government, you see, has gone into the banking business in a big way.

Food and Drugs. The Tugwell Bill to regulate advertising practices in food and drugs will be passed, but many of the sharp teeth will be filed down or drawn out, so that the final product will be much less drastic.

Municipal bankruptcy. There probably will be some sort of bill to enable municipalities to scale down their bonded obligations by agreement with bondholders. It will be a moderate bill, designed to avoid as much as possible the encouragement of local politicians into easy and deliberate default.

NRA and AGRA

CONGRESS will investigate at length and show up many embarrassing blunders in both NRA and the Agricultural Adjustment Administration. Many amendments will be made in the Recovery Act, but the general form of the system will be retained, and a modified government control of industry will become permanent.

The investigation of NRA will show that Johnson has done a tremendously big job in a short time, and that he is entitled to credit, but that his tactical blunders make it impossible for him to remain.

Self-government of industry, without government "interference," as desired by most elements of business, probably will not be voted by Congress. Government representatives on code authorities probably will be retained. Congress is just as much afraid of monopolistic practices as it ever was, and the attitude is that the Government must keep a string on industry.

In actual practice as the codes work along, as the wrinkles get ironed out, there will be relaxation of cumbersome government supervision for some lines, but not for all. It really depends on how well business men can be trained to run their own intra-industry affairs.

It's quite a job, and there are politics in business as well as in government.

Whether government licensing of individual business units will be extended can't be determined until after the NRA investigation. I am fairly certain it will be extended for agricultural trades and industries, but as for other industries, I don't know.

Price fixing is being done under codes to some extent, but government policy is strengthening against it, partly to protect consumer interest, and partly to protect industries from the failures which have always accompanied price fixing in the past.

NRA probably has not contributed much to the emergency phase of recovery, and it has made a mess in the business world, but there are now signs of a relative degree of satisfaction within the industries whose codes have been put into operation. The outlook is hopeful.

Labor

LABOR is militant and will continue so in Congress. Labor insists on representation on the code authorities, and in due time probably will get it.

But it will be by a slow, tedious process of experimentation, trial and error. I doubt whether Congress will order it at this session.

Don't lose sight of the 30 hour bill. Remember that it almost passed at the last session, and that the NRA scheme came along as a substitute. Now it is to be pushed by labor again. I think it will not pass, but it will be used as a club to force other measures which labor wants.

Labor has made big gains, but isn't satisfied.

Monetary Policy

IT'S HARD to discuss monetary policy details more than a week ahead, but there are certain objectives which seem clear.

Depreciation of the dollar in foreign exchange has already occurred, without much effect on internal prices.

Certainly the effect has been less than the Administration thought a few months ago, but the Administration explains that there's a lag, and that prices will rise slowly and irregularly on account of depreciation.

Formal devaluation, by officially cutting the gold content of the dollar, and formal stabilization on a new level, is probably months off, unless something happens which is not now foreseeable—some crisis. Meanwhile, however, the Government can establish an informal *de facto* stabilization, and probably will.

The composite of guesses is that when the dollar is officially cut, it will be cut to around 55 per cent of its old weight in gold.

Greenbacks probably will not be voted by Congress, nor issued by the Administration under its present powers.

Some sort of silver money probably will make its appearance within the next few months. The silver strength in Congress has grown rapidly. Even conservative business sentiment has changed.

A willingness to experiment with silver is evident in quarters where six months ago silver was anathema. "Silver is better than greenbacks."

Inflation in one way or another is on the way, and the question is whether it will be a creeping progression of one easy measure after another, ending in a runaway slide, or whether it will be controllable. I don't know, but I think it can and will be controlled. As a reporter I note among the economic wise men a gradual tendency of thought toward the belief that we shall not have "wild inflation." But it's an

uncertain thing, and I don't think anyone is wise enough to know the outcome.

Spending to Make Business

THE huge and rapid outpouring of Civil Works money is a major feature of the Government's plan for causing inflation. It is supposed to give momentum to money, to force turnover, to force business activity. It has undoubtedly done so.

Congress will vote early in the session to continue this Civil Works spending. It will not be discontinued during the winter. Perhaps as much as a billion dollars will be appropriated and spent.

Wages paid under the make-work program are so high that they do not provide incentive for a man to go back to private employment. In some cases they have lured men away from private jobs. They will be reduced by Congress and there will be a wail from the millions of beneficiaries.

Public Works operations are now beginning to make themselves felt in the business situation, and there will be progressive stimulation over the next few months.

Budget and Debt

HOW are we going to pay for all these things? Well, we start by manufacturing some additional money and credit, mainly credit, which is the stuff behind checks. The Government does this. The Government also borrows. It has borrowed close to 24 billion dollars (the amount of the public debt), and it will borrow between three and four billions more in the first six months of 1934, making the total debt next June 27 or 28 billions. This in itself makes for inflation by the credit route.

The ordinary budget is approximately balanced, or not seriously off balance. The special budget, representing relief, public works, civil works, RFC and other loans, etc., makes the trouble.

Lenders do not like to lend to a government whose budget is not balanced, even under the trick provision of a regular budget and a special budget. Hence it seems probable that government bonds will sag during the next few months, when Congress is appropriating new billions.

Washington recognizes these budget problems as very real, but officialdom figures that government credit will stand the strain for another six months, until a business revival is clearly demonstrated.

Business Outlook

UNDOUBTEDLY business began to pick up in late November and early December.

The best judges of future trends expect a continuation of this upswing during the next few months.

Commodity prices are expected to strengthen, but Washington has abandoned its earlier hopes of getting any sharp price rise, and has settled down to the idea of a gradual upward movement extending over the next couple of years. The price level is now around 72. The Administration's ambition is to get it up to 100, but officials now admit it will take a long time.

There are the beginnings of doubt whether "parity" for agricultural prices can be obtained within the next few years.

War

IT IS noteworthy that many experienced observers of world politics are thinking in terms of war within five years, and some say two years. There are a half dozen places and ways in which it could start. There's rather general agreement that if it comes, and if many nations are drawn into it, it would be followed by world-wide social revolution. It's one of the things which makes prophecy of long-term business trends precarious.

Personalities

THE following comments on public men are intended not as gossip, but as bits of illumination on policies, for men make policies, and you know something of how a game will come

out if you know something about the personalities of the players.

The President still seems to be popular. Two months ago perhaps 80 per cent of the public thought well of him. Now perhaps 70 per cent of the public think well of him. He has lost favor, but he still has enough preponderance of favor to be "popular." He is still the strongest single element in the Government. His health and spirits are good. There are no visible signs that his physical disability affects his work.

Morgenthau is now No. 1 Cabinet member. He is personally closer to the President than anyone else. He comes near to filling the shoes formerly filled by Moley. Morgenthau seems to me to be a good man for Treasury. He certainly doesn't know it all, but he knows his limitations, and this is a good trait. He apparently knows how to pick good advisers. He is honest, conscientious, energetic, modest. He will be full-fledged Secretary of the Treasury in due course, for Woodin will give up the title.

Roper is still the great compromiser-fixer of the Cabinet. From month to month he accumulates new responsibilities, and he is a skillful executive.

Wallace is still close to the President. Wallace is a bit of an idealistic dreamer, and doesn't run the mechanism of his department so well as he should. He lets subordinates browbeat him, and his modesty makes him reluctant to dominate.

Miss Perkins knows what she wants and fights to get it. She fights Farley, Roper, Johnson, Peek. She gets along well with Ickes and Hopkins. She stands well with the President, due partly to Mrs. Roosevelt's support. It must be said that she wins most of her fights.

Johnson is domineering. But he's honest in intention, and he means to be fair. The mistakes he makes are mistakes in judging the psychology of people. He was in the Army, and he thinks civilians are like enlisted men.

Tugwell is the most aggressive radical in the whole administration, a passionate social reformer.

Berle keeps under cover, but is also influential with the President and with other high officials. He is a radical who works well with conservatives.

Eastman is the best current example of a practical liberal. His job of coordinating the railroads is truly remarkable. And railroad men who two years ago thought Eastman had horns and a tail now regard him as their best official friend. Thus the mass psychology of business men shifts.

Dickinson, Assistant Secretary of Commerce, is developing into an applied and practical intellectual. He has a keen, honest mind, and he is adjustable. More adjustable, for example, than Tugwell.

Richberg is interesting. He is chief legal adviser to Johnson, is known as a pro-labor liberal. He mixes his labor leanings with his law, but doesn't scramble his law. Industrialists fear him, but are acquiring a respect for him, and this is leading to a lessening of the fear.

Douglas, Budget Director, continues to be the one outstanding conservative rock in the entire administration.

Farley is probably an administration weakness. He's so intent on party that he doesn't see the after-effects. When the Republican racketeers get ready to shoot big guns at the Democratic racketeers, they will find their easy spots in Farley-dictated officials, both in Washington and throughout the country.

Yours very truly,

Wm. L. Hughes



No one doubts the worker's need
for a cushion against idleness

★ **BUSINESS** control under the National Recovery Act has focused nation-wide attention upon industrial relations. Problems of wages, hours and conditions of labor; of collective bargaining, unionism and employee representation, have equalled or out-bulked those of industrial organization, price fixing and competitive practices. Professional personnel workers, who had spent years establishing the principle that labor administration was an important function of industrial management, suddenly found in the summer of 1933 that it had become one of the most absorbing interests of government officials, of leaders in business and finance, of publicists, educators and the people at large.

It was not solely the Recovery Act which turned the spotlight upon industrial relations. Unemployment throughout the depression, with consequent agitation for relief for the jobless; the Share-the-Work Movement; the Black 30-hour bill, all helped to shove the relations between employers and employees into the front line of subjects calling for national attention.

But will it last? Is this freshly aroused interest in labor problems permanent or is it one of the passing manifestations of the "emergency" part of the recovery program? Just where, in general, is personnel management headed?

To find answers to these and allied questions, the writer made a fairly extensive survey of employing companies and reported the findings at the Princeton Industrial Relations Conference. Replies from companies included in this

What Hard Times

By EDWARD S. COWDRICK Author of "Man-

inquiry, interpreted in the light of other available information, provided some useful guideposts for tracing the course of industrial relations in the recent past and attempting to chart it for the immediate future.

First and perhaps most important, the survey confirmed earlier indications that personnel work had suffered comparatively little loss in four years of depression. Of the employers who answered the questionnaire, 75 per cent reported that they had retained all or practically all of their personnel programs. Others had kept substantial portions. For this policy—in striking contrast to that generally followed in the business collapse of 1920 and 1921—there were logical reasons. In addition to the well established fact that personnel administration had become solidly welded into the structure of industrial management, and no longer was an outside or "uplift" activity, there was this extremely practical consideration: in the typical company, the industrial relations director was the man upon whom the management mainly depended for guidance and support in devising fair and humane policies of labor retrenchment and in explaining these policies to the working force.

Personnel work is different

ALL this does not mean that no personnel men lost their jobs. Some reduction in the personnel of industrial relations departments was inevitable but, in this respect, personnel administration probably suffered no more than did other "staff" functions of management. Also there were some changes in labor policies and a good deal of shifting of emphasis. The personnel services needed in a period of depression differ considerably from those suited to a time of active business and ample employment. There is no need for surprise if an official who used to visit colleges every spring trying to persuade the most promising seniors to join his concern spent most of his time last winter distributing food and coal to laid-off workers. The depression saw the abandonment or curtailment of some labor practices which had become super-

fluous; it saw the initiation of others which were demanded by conditions. If personnel management had not been sufficiently elastic to make these adjustments, it would have been scrapped—and would have deserved to be.

Employers who reported the discontinuance of specific plans explained their action on one of two grounds; either the plans were considered permanently or temporarily of questionable value, or they were dropped simply because money could no longer be spared to maintain them.

Among policies abandoned or curtailed for either of these reasons, the largest groups were those made up of stock subscription plans and various types of welfare work. Welfare work for several years had been of diminishing importance, and the economic stress of the depression merely hastened a process that was already far advanced. One should not hastily conclude, however, that all service activities of this kind are headed for the scrap heap. Several employers who reported the abandonment of welfare plans for reasons of economy added that they expected to reinstate them as soon as financial conditions warranted. Doubtless a residue of really worth while plans, which can be justified on the basis of actual benefit to employers and employees, will be retained in our industrial system.

As to employee stock distribution the case is different. This method of encouraging thrift had enjoyed immense popularity in the years preceding 1929. Many looked upon it as the solution of numerous industrial problems. The sequel is well known. In practically every stock plan, prices of shares dropped far below the figures at which they had been offered to employees. Thousands of wage earners found that their unpaid installments amounted to more than the current values of their stocks. Many plans were abandoned; others were suspended to await business improvement. Only a few rode through the storm unscathed.

Naturally employee stock ownership fell into severe disfavor. Some observers believe that it always was unwise, and that it is unlikely to be revived. Others point out that losses in stocks

Taught Labor Management

power in Industry"

Illustrations by Charles Dunn

THE depression has brought changes in industrial relations. The system of individual dealings between worker and boss has lost prestige. As a result of a recent survey, Mr. Cowdrick is able to make some helpful predictions

were not to be wondered at, in a period which was marked by an unprecedented debacle of all sorts of securities, and in which about the only piece of investment advice that maintained validity was that which warned against laying up treasures on earth.

Workers and common stock

THERE is no doubt that some companies rushed blindly into employee stock distribution when they had no issues suitable for wage earners' investments even in normal times. Perhaps the lesson of the depression was needed. Everybody now realizes what thoughtful students of the subject knew all the time, that run-of-mine common stocks in the average business enterprise are not the kind of securities into which workers should put their savings.

But it would be far from the truth to say that stock distribution has been wholly discredited. Some companies have maintained their stock plans; others are awaiting a more favorable time to revive them. Probably the policy will not again be as widely adopted as in the past. It shouldn't be. There is every reason to confine the distribution of stock to those companies which have securities into which a wage earner can honestly be invited to put his savings—and those companies are not numerous.

This leaves an investment problem to be solved in behalf of that large ma-

jority of workers who should not buy the stocks of their employing corporations. Experience of the past four years, while it has demonstrated the uncertainty of most forms of investment, has given impressive proof of the worker's need for a financial cushion against loss of his earning power.

To the task of selecting and coordinating the financial plans best adapted to particular industries and particular groups of employees much hard work and serious thought already have been devoted. More work remains to be done. The problem presents many difficulties, likewise many challenging opportunities. Among a fairly wide range of possibilities, favorable consideration is being given to investment trusts (at least one of these, in a large corporation, has functioned successfully throughout the depression), savings bank plans, credit unions, life and disability insurance, mutual benefit associations, contributory pensions and contributory unemployment funds. The whole subject will claim much of the attention of personnel specialists during the next few years.

Of new labor policies adopted, or existing ones expanded, during the depression, the greater number, as was natural, were those concerned with the prevention, mitigation and relief of unemployment. Future historians studying the period which began in 1929, will find cause for favorable comment on the unselfish



Industrial relations will claim increasing attention in the future

cooperation of employers and employees in devising measures for providing work and wages for the maximum numbers, and for meeting the pressing needs of those who could not be kept on the pay roll. In many factories, funds raised jointly by grants from the company treasury and contributions from the wages of employees have provided relief to jobless men and their families month after month through four lean years. Foremen, personnel directors, employee representatives and trade union officials have toiled together in raising, administering and distributing relief.

Sharing work as a new policy

THE depression saw the first large scale adoption of work sharing as a means of avoiding layoffs in times of slackening operations. The policy thus voluntarily adopted in many companies became one of the foundation stones of the National Recovery structure. It is reasonable to assume that the principle in some form will survive. Along with it



doubtless will be retained—or revived when needed—the other methods of alleviating unemployment which have withstood the test of actual experience since 1929. Layoff compensation has met with almost universal approval.

As to unemployment insurance, public and private, the record is less clear and the outlook is more obscure. Of the comparatively few private plans existing before 1929 some have survived and functioned usefully. Others have gone down and the payment of benefits necessarily ceased.

Representing state laws for the payment of unemployment insurance, the Wisconsin statute still stands alone. Economic conditions and difficulties of administration have sorely perplexed authorities in Wisconsin and have caused postponement of the effective date of the law. In recent months the situation has been complicated by the Government's entry into the field of unemployment relief. In some quarters there is a growing disposition to rely upon federal financing of public benevolence; criticism of the "dole" is heard less frequently than in the recent past.

It may be predicted with some confidence that organized methods of unemployment relief will grow in favor in the immediate future. Just what forms they will take, and whether public or private plans will predominate, is now difficult to answer. If the present drift toward governmental regulation of business continues, it is likely that unemployment benefits will be paid directly by public authorities or administered under their supervision.

In the meantime, however, organization and integration of industries under the National Recovery Act have given a fresh impetus to proposals for unem-

ployment funds on an industry-wide basis, as distinguished from state plans. The whole problem is more complicated and difficult than most advocates of unemployment insurance had suspected. Its solution presents one of the most urgent tasks in the field of industrial relations.

One labor policy which throughout the depression gained in favor with both management and workers is employee representation. This method of collective bargaining was found even more valuable than in normal times, since it provided facilities for continuous exchange of facts and opinions and for mutual consideration of the problems which arose when operations slowed up and men had to be transferred, demoted or laid off. Some new representation plans were adopted; others were extended. Incidentally, not one employer who answered the Princeton questionnaire reported the abandonment of representation.

Employee-employer cooperation

THE National Recovery Act, with its guarantee to workers of the right to bargain collectively, immensely enlarged the importance of both employee representation and trade unionism. There is little doubt that the old American custom of individual dealing between worker and boss has suffered a loss of favor and prestige from which it scarcely will recover. This means, among other things, that the segment of industrial relations ordinarily termed "joint relationships" will demand and receive more attention.

Whether unionism or employee representation will prove to be the dominant method of collective bargaining; whether both will survive and function

competitively as in the past; whether there will be some integration in which the most useful features of each system will be retained; whether trade unions or industrial unions will be the more favored; whether works councils will be linked together throughout whole companies or whole industries—these are questions that must await answers in the future. The current prominence of the National Labor Board indicates that some form of governmental supervision may become a permanent factor in collective dealing between employees and management. On this point, too, the outlook is obscure and predictions are hazardous. One thing is certain: the industrial relations manager of the near future will give more attention to the adjustment of problems in which workers and employers have joint interests.

Whatever particular departments of personnel administration demand the greatest emphasis, there can be no doubt that in the years ahead the whole field of industrial relations will continue to claim—as it claims today—more attention from business management than it did before 1933. There will be need for labor administration by men of experience and understanding. Industry will make ever more exacting requirements of its counsellors in labor management. These counsellors, however, will not bear the main responsibility. Even before 1929 there had been a rather general acceptance of the philosophy under which personnel administration was considered primarily a function of industrial management itself. Familiarity with labor conditions and the capacity to administer a personnel program will from now on be among the most important items in any analysis of the industrial executive's job.

Explaining the Business Barometer

★ ON the opposite page is printed a map of the Nation's Business and a barometer line of the trend of current business. The former is an old feature of NATION'S BUSINESS which we ran from February, 1917, to March, 1933. We discontinued it because business was so low that attempts at geographical comparison were of doubtful value. With the revival of business we have revived the feature. It is based on reports to Dun & Bradstreet, Inc.

The barometer line is a weighted composite of five series, each being adjusted for season variation and long-time trend. The three-year period, 1928 to 1930, is used as the base for the index.

The five components comprising the index were chosen because of their importance as indicators of business activity and because they represent a

large part of the business transacted.

The weights assigned to the respective components of the index are:

	Weights
Steel Production	22.7
Carloadings	33.7
Electric Power Output	10.0
Bank Clearings	10.0
Price Index	23.6

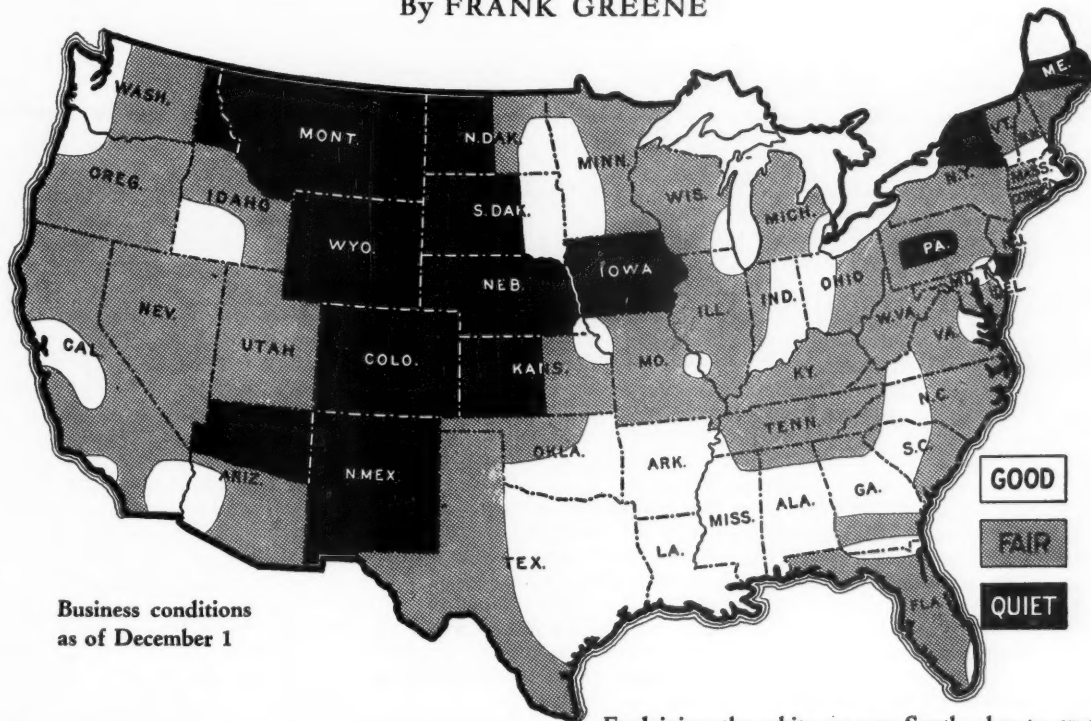
The steel figures used are the totals of percentage of capacity, now being published by the American Iron and Steel Institute, and formerly issued by the *Iron Age*. Data on carloadings are compiled by the American Railway Association. The weekly totals of electric power output as published by the Edison Electric Institute are indicative of industrial and business activity. Bank clearings (exclusive of New York City)

as compiled by Dun & Bradstreet, Inc., are the total value of checks which go through the clearing houses and represent the monetary volume of business being transacted throughout the country. The fifth component of the *Barometer* may be expressed as value Adjustment. The dollar varies in relation to what it buys, and what is bought varies in value from week to week. The Weekly Food Price Index, also compiled by Dun & Bradstreet, Inc., is therefore included.

In looking at this line it should be remembered that its true value is in determining which way business is heading. It is of less value as an accurate record of the position of business at a given time. The flattening of the down curve after the sharp decline in September is the interest point about the line.

The Map of the Nation's Business

By FRANK GREENE



Business conditions
as of December 1

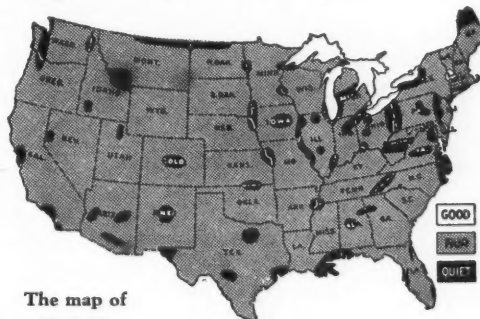
NOVEMBER business reflected a continuance of the reaction from the mid-summer activity. There were enough upward movements, however—in coal, lumber, automobiles and steel—to rob the net showing of some of the reactionary character noted in September and October. The real forward progress in November was the expansion of year-end retail buying. This was especially marked in mail-order sales.

Federal employment reports showed little diminution in October and pay rolls increased. Stock exchange transactions were heavier than a year ago and bank clearings and debits expanded. The building industry, aside from public works, failed to expand. Failures and liabilities showed some seasonal increase but fell far below the peak of 1932.

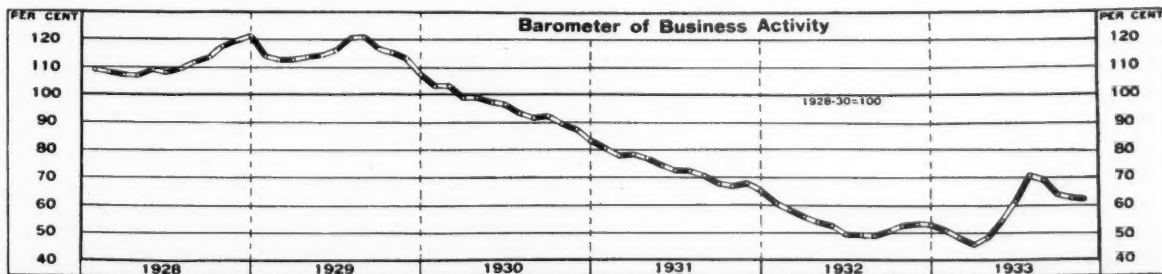
The labor situation in the silk industry tended to right itself as November advanced but consumption of raw silk was greatly reduced by strikes. Shoe production for this year promises to be the second largest on record. The railroads have won back some of the losses of earlier years but net earnings reflect increased operating costs.

Harvest results were heavily off from last year.

Explaining the white spaces: South, due to crop destroying bounties and guaranteed cotton prices. Northwest, lumber buying activities. Maine, large potato crop and good prices. California, repeal helps fruit and wine producers. Dakota-Minnesota, good money returns on crops



The map of
a year ago



Lessened steel activity, smaller carloadings and reduced electric output in November more than offset moderate increases in bank clearings and the price index

BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

Faith in Money Is Essential

By HENRY I. HARRIMAN President, U. S. Chamber of Commerce

IN THIS article Mr. Harriman discusses the possible results of the Government's currency policy and outlines the national money program which he personally believes is required by the situation

★ OVER the desk of the President of the Chamber of Commerce passes a large and varied mail, much of it having to do with matters of public policy. Some of it is constructively critical. Some of it is laudatory. But there is a substantial volume the character of which is well shown by the following quotations. One letter, referring to certain statements I had made in praise of the fundamental principles of the National Recovery Act, said: "Your philosophy is redolent of red radicalism."

Another letter, referring to the recent currency resolution of the Directors, said:

"The financial policy of the Chamber is that of a tough, tenacious toy."

I am not quoting these letters because the views expressed differ from my own, but because they indicate an all-too-prevalent tendency to use invective instead of argument and to rely upon hard names to kill opposition.

Our national welfare is of supreme importance and depends to a material extent upon frank and fair discussion of fundamental problems and tolerance of the views of those who honestly differ from us. This is particularly true of the monetary problem. In my judgment a sound financial policy for the United States will not be arrived at by the hurling of hard names but rather by a fair appraisal of the philosophy and the reasoning of the three major schools of current monetary thought.

The first group, which we may call "the gold standard" group, opposes any monetary inflation and any change in the present gold content of the dollar, of 23.22 grains. This group urges the gold standard as a basis for credit expansion.

The second group believes in a gold standard but thinks that the content of the dollar should be reduced to between 12 and 16 grains of gold and fixed there. Others, including Professor Warren, feel that the gold content of the dollar should continuously fluctuate with changes in an index of average prices.

The third group is out-and-out inflationist. It would issue money, in small or large quantities, with little or no attention to a metallic base.

In my judgment, the first group properly favors a gold standard but does not sufficiently regard the dislocations caused by the War and its consequences; the second group is correct as to the necessity of a change in the gold content of the dollar but those who want a varying gold content of the dollar fail to appreciate the confusion and uncertainty that will arise if there is a continuing possibility of fluctuation; and the third group fails to see that its policy can only lead to such complete financial collapse as was experienced in Germany and Austria.

The monetary standard

GOLD has, for the last 50 years, been generally accepted as the monetary standard of Europe, Canada, and the United States, while silver has been used for subsidiary coinage to a greater or less degree by the gold countries and has been the basic metal of the Orient.

It is self-evident that, as the volume of business grows from decade to decade, there should be a supporting increase in the stock of monetary gold. This necessity may be partially offset by conservation of monetary gold, as through use of checks and credit, the

conservation increasing with increase in turn-over of credit. It is not easy to discern the exact relationship that exists between volume of business expressed in dollars and the volume of monetary gold, but if volume of business advances beyond the possibility of support in our stock of monetary gold, prices will fall; while if a superabundant supply of gold becomes effective, prices will rise.

Following the discovery of gold in the Rand and in Alaska about the first of the present century, the volume of available gold and the volume of business generally moved along in relative balance until the outbreak of the World War. Probably the volume of gold increased slightly faster than necessary to support the volume of business, and this, together with growing efficiency in the use of credit, made for a slow and gradual increase in the price level.

After the outbreak of the War, the volume of our business increased by leaps and bounds. While the monetary supply of gold increased, the actual world production of new gold is said to have decreased. Prices, using the 1926 level as 100, rose from 70 in 1916 to nearly 170 in 1920, then dropped rapidly until the level of 100 was reached, which level was maintained with slight variations from '22 to '29. During these eight years our commodity prices remained at approximately 100 despite the fact that new gold production was below the 1914 level. This was largely due to the greater use of checks and credit, and to increasing monetary efficiency, after our acquisition of a large share of the world's gold.

The crash of '29, however, shook our credit structure, and as credit declined commodity prices fell more sharply, reaching the low level of 60 in 1932. I would not give the impression that lack of equilibrium of monetary factors, including supply of gold, in relation to the volume of business was the only reason for the great fall in prices, but it was a contributing factor and while, from every standpoint, a gold standard seems to me desirable, it must be a realistic gold standard, taking into account the necessity of restoring prices to somewhere near the '26 level.

In some nations where the use of
(Continued on page 62)

NATION'S BUSINESS



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Charting the Course of Business...

The new Congress . . .

★ WHAT will the 73rd Congress do at its first regular session commencing on January 3? It was prematurely born in a special session in March just after the inauguration and the bank holiday. It passed at the urgent request of the President a series of such important bills:

The Agricultural Adjustment Act with its added power to the President to inflate the currency.

The National Industrial Recovery Act in which was included provision for spending \$3,300,000,000 for public works.

A new banking act which proposed a federal guarantee of deposits.

A bill for the registration of new securities issues, a measure so drastic that it has prevented the refinancing of seasoned industries and made possible the floating of shares in new and venturesome concerns.

These are but a part of the measures upon which the extraordinary session agreed.

It might fairly be said that the Congress at its special session obeyed the President's every word; gave him a blank check to fill in as he wished.

What will the Congress at its first regular session do? Will it still follow the President and yield to his every wish or will it call back, and use, the powers which the Constitution gave it?

The answer is not in Washington; it is in the crowded streets of New York and Chicago, and in the farm lands of Iowa and Kansas.

Are the people still with President Roosevelt? Are they content with what has been done? Do they feel that the New Deal is working for good? Or is the farm plan real? And are the criticism of the NRA and the fear of inflation growing?

Answer those and you have the beginnings of the answer to the question: What will the next Congress do?

What Congress may do . . .

★ WHAT will the Congress do about inflation?

Will there be new legislation for the banks?

Can the Securities Act be amended?

Is the so-called Tugwell bill making stricter regulations for makers and sellers of food and drugs to be pressed?

What sort of a tax bill will get through?

Will the "new deal" bring about a regrouping of railroads into five or seven or nine new systems?

Guessing is a harmless sport. Let's guess on two or three things.

There will be heated discussion of inflation on the floor—discussion of inflation is always heated—but there will be no

Congressional action. The blank check will not be cancelled and the President will do as he pleases—if he hasn't already done something before the Congress meets.

The Glass-Steagall banking act will not be materially changed. We shall have a chance to try out deposit insurance.

There will be some alteration of the Securities Act since it is proving a definite and dangerous dam in the flow of money from investors into industry. Whether the change will be satisfactory to business is doubtful. The testimony before the Senate Finance Committee is too fresh in the minds of the people to make Congress sympathetic to anything that might suggest "easing up on the investment bankers."

The Tugwell bill, excellent perhaps in purpose, but dangerous in method, since it gives too great discretion to government officials, will be pressed but not passed, since business opposition is too well founded and will make itself heard.

Tax legislation will be limited to efforts to "tighten" the income tax to produce greater revenues and to levying "all the traffic will bear"—and perhaps more on alcoholic beverages.

Guesses! All of them, but along these lines lies the talk about the coming Congress.

Boloney vs. gold . . .

★ BATTLE lines in the fight over our monetary policies were drawn more clearly in late November and December. The United States Chamber of Commerce declared its position. The Federation of Labor, the American Legion and the Crusaders held a joint and noisy mass meeting. Father Coughlin of Detroit, to whom banks and bankers are anathema, invaded New York, drew an enormous crowd and expounded his gospel of the dishonest \$1.65 dollar and "the normalization of the gold dollar." Ex-Governor Smith asked to be spared from the "boloney dollar." Professor Sprague withdrew from the Treasury Department in protest and General Johnson called him an "obscure professor."

What good came of all the turmoil? This good, that men who had wavered, who had been tempted to sacrifice principle to expediency, who had said, "Oh, let's try inflation, it might help," have been forced to take their stand on the side of "a sound national monetary policy," or go over completely to the enemy.

Wanted: a stable dollar . . .

★ THE declaration regarding national monetary policy should be read by every business man. It's a plea for certainty, for "a fixed gold value of the dollar properly determined." Above all, says business, give us money upon which

we can depend; upon which we can base our contracts for buying and selling in the faith that the measure we use today will be the measure tomorrow.

Here are some paragraphs from the Chamber's new chapter on money:

We believe it should be emphasized that the present fiscal policies have developed widespread confusion and disquiet. We strongly recommend that the President of the United States make an unmistakable declaration that Government securities will not be driven to lower levels by reason of monetary actions. We also urge that there be an immediate announcement of intention of an early return to a gold basis, with complete avoidance of monetary experimentation, greenbackism and fiat money and with complete recession from theoretical or arbitrary ideas of "price-index" fixation of the value of gold.

Otherwise there will be instability of employment, because of inability of anyone to make forward commitments on a basis of reasonable business risk instead of speculative hazard. . . .

Upon the stability of the Government's securities now largely rests the maintenance of our banking, insurance and other fiduciary institutions and the flow of credit. Upon the integrity of the currency depends the well-being of the laborer, farmer, public servant, and their dependents, the continuation of thrift and savings, and a healthy development of investments.

Inflationary evils . . .

★ PERHAPS it's a waste of breath to preach against the evils of uncontrolled inflation, but if one seeks a short sermon, here's one of the best taken from a recent article in the *Nation* by Oswald Garrison Villard:

Perhaps I feel unduly alarmed about the situation, but I happen to have been in Germany at the time of inflation. I literally saw men who had been millionaires begging in the streets. I found that almost every insurance company was ruined, and that every endowment fund had disappeared; that all mortgages were paid off in depreciated currency, so that the persons who had lent the mortgage money were robbed just as successfully as they would have been had they been held up by footpads. I saw a whole nation driven almost to despair by the daily fluctuations in currency. Their habits of thrift were destroyed because there was only one thing to do and that was to take all the money that they got and spend it before the sun set. They bought everything that money would buy—the strangest odds and ends. People who could not play the piano bought pianos in order to get something tangible into their homes that they could resell when sanity returned. They bought books they could not understand and pictures they did not want. They did not buy many clothes because clothes were not to be had; even underwear was difficult to get and could only be sold a garment or two at a time. . . .

When I left the Hotel Bristol after a sojourn in Berlin of a couple of weeks I gave as the usual tips one-dollar bills to the head porter and others who had taken care of me. I imagine I know how royalty must feel under such conditions, for I am sure no king ever received deeper or more grateful bows than I did. One man almost cried, and told me that he would keep the bill as long as he possibly could as it was the only thing he had that was stable. It was worth about three billion marks at that moment.

The expense of war . . .

★ TWO items gathered from the newspapers in a single day; two items which should be read together; two items which should give the taxpayer something to think about:

Item I.—"The public debt of the United States stood at \$23,534,115,771 at the end of November, the highest point since 1921 when it was \$23,977,450,000 and within about \$3,000,000,000 of the all time war-loan peak of \$26,596,701,648 on August 31, 1919."

Item II.—"Federal employment in Washington during October reached its greatest peace-time height with a total of 71,054 persons on the government pay roll. . . . While the total is still below its war-time peak of 117,760, it is higher than it has been since July 31, 1921. At that time it was 78,865."

Money and men! With these wars are fought against alien

enemies and against depressions. There may be comfort in the thought that the men whom the Government hires to wage the war against depression will not be wounded or killed and that some of the money spent will go into more lasting things than shells and cannon.

But the bill to the taxpayer will have to be paid.

Uncle Sam's new aids . . .

★ OUR favorite publisher is and has been the United States Government. His book lists contain something for all men and more for all women. The seeker is never at a loss. If he cares not for "Aunt Sammy's Radio Recipes" (142 pages, ten cents, Home Economics Bureau), he may turn to "Early Paleozoic Bryozoa of Baltic Provinces" (382 pages, illus., 40 cents, National Museum). If he is unconcerned with "Advertising Methods in Japan, China and the Philippines" (107 pages, illus., 25 cents, Special Agents Series), he may find comfort in "Hints for Bobcat Trapping" (six pages, illus., five cents, Agriculture).

It was then with no common pleasure that we picked up "Helpful Hints for Speakers," issued by the National Recovery Administration as part of its "Now is the Time to Buy Campaign." Nor were we disappointed.

A single volume which brings to us excerpts from the writings of General Hugh S. Johnson, Rupert Hughes, Donald R. Richberg, Owen D. Young, Cornelius Vanderbilt, Jr., Walter Lippmann, Glenn Frank and Nicholas Murray Butler could not be a failure.

But we were most moved, most aroused, by extracts from "an excellent address" by Marjorie (Mrs. William S.) Barkentin.

"Coax, cajole, cuss or cry,

But go and make your men folks buy," sings Mrs. Barkentin.

"Buy entertainment; take your friends and your family to the restaurants and cafes. Buy adventure. Buy what will make you look your best, do your best and be your best.—Don't be afraid to seek romance, for, with the new economic security, you will be able to marry."

And with what shall we buy all this? Why, with principal—with whatever you have saved. What if it were for a rainy day? With "the new economic security" it will never rain. One final extract from this apostle of a new deal:

"Why should you spend your principal? First, it is a social duty; second, if you do not, you may not have any principal to spend."

At which point our New England grandfathers turned over uneasily in their graves!

Benevolent bureaucracy . . .

★ HARD bills to fight are those with whose purposes most men agree. Prohibition legislation was one. The public as a whole recognized the evils of intemperance and the saloon. It was difficult to fight legislation designed to eradicate those evils. Yet time has proved that the method was wrong.

Current instances are the Securities Act and the so-called Tugwell Bill. No one favors the selling of fraudulent securities! No one approves of selling dangerous drugs or adulterated foods. Yet in each case the method of reaching the cure may prove to be worse than the disease.

The Securities Act in no way accomplishes its purposes. Even its proponents are beginning to feel that it might well be altered.

The Tugwell Bill is dangerous, as Mr. Hayward points out in his article on page 30, largely because of the great discretionary powers it confers upon administration officials.

No one really fears that the Secretary would make the country dry or regulate women's clothing, even though the letter of the bill seems to make it possible. Yet no one can watch Government and government enforcement without

knowing that the government official always reaches out for more power, more authority, more things to rule.

The middleman . . .

★ A PRIMARY plank in the platforms of consumers' committees is: "Do away with the middleman."

These zealots seem to look upon the middleman as a thing accursed whose only function is to add to the cost of distribution and the cost of living.

Who is the middleman? He is, says the dictionary, a man who buys merchandise in bulk and sells it again in smaller lots to wholesalers or retailers.

A limited definition. The middleman is everyone who comes between the producer and the consumer.

Grandfathers who grew up on farms knew little of middlemen. They got most of their food and part of their clothing from their own acres. But they needed middlemen for tea and sugar and cotton and nails and a hundred other things.

Grandsons who grow up in cities couldn't face life without middlemen. Everything they wear and eat and sit upon comes through a dozen hands.

Consider the neighborhood grocer. He sells a dozen or 50 cases of canned pineapple in a year. He couldn't buy a carload. He could with difficulty store a year's supply. Some hated "middleman" buys a carload or ten carloads in Hawaii or on the Pacific Coast, pays the original cost, the storage, the transportation and divides it up among ten or 20 or 200 retailers. And he's an enemy of society!

We have taken long steps in some industries to abolish the middlemen. The chain store is the most familiar instance. It buys its pineapple by the carload or the dozen carloads. It may can its own vegetables or slaughter its own cattle.

And who loves the chain store? The very same people who decry the middleman as a parasite and a leech are thinking up measures to put the chain store out of business.

A call for fair play . . .

★ THE utilities companies seem, somewhat slowly, perhaps, to have awakened to the danger of the government competition that threatens them from the Tennessee Valley Authority and other "yardsticks" proposed or under way. In November, NATION'S BUSINESS asked, "What . . . of a Government which, while urging industry to eliminate competition, itself engages in that sort of competition?" George B. Cortelyou, President of the Edison Electric Institute, asked the same question at a meeting in St. Louis in December:

May the Government with one hand impose a code and increased costs on an industry, and, with the other, destroy the possibility of compliance by entering the field itself as a competitor, conforming to no standards of fair rivalry and backed with all the resources of the taxing power?

The next day Frederick Ecker, President of the Metropolitan Life, wrote to Mr. Cortelyou:

The various departments of the Government seem to me to be asking far too much from the utilities in imposing increased taxes, asking increased labor costs and demanding lower rates and at the same time devoting the proceeds of taxes to building plants for active competition with the utilities under conditions where the taxpayers make good the deficiencies under the rates.

In short, government competition is not only a threat against the utility companies. It is a threat against the six million men and women whose savings are invested in utility



"You Pay at Both Windows." A cartoon used in the campaign which defeated municipal ownership in Birmingham, Ala.

companies. For them, as the head of a company entrusted with the investment of the savings of millions of policyholders, Mr. Ecker speaks.

Another case of competition . . .

★ THE plan to make new factories an integral part of the subsistence homestead idea is bringing protest from industry. The West Virginia project called for a factory to make post office supplies. The Keyless Lock Company of Indianapolis whose only customer is the Government asked the very question which this magazine suggested in November was sure to be asked: What of the men now employed in making post office supplies? Congressman Ludlow of Indiana wrote recently to the President saying that nothing can be gained, "if through the opening of a government plant in West Virginia, an equal number of people steadily employed in Indianapolis are thrown out of work."

Should government build houses?

★ WE HAVE talked of two threatening forms of government competition. The Board of Directors of the National Chamber were moved at their last meeting to sound a warning against a third—the invasion of the field of private business by the Public Works Administration.

On this general point the Board said:

The use of funds by the Federal Emergency Administration of Public Works to finance business units designed to compete with or duplicate existing units now rendering adequate service at reasonable cost is contrary to sound public policy, destructive of investments . . . and causes an inequitable shift in the basis of taxation, through removal of extensive property values, and the income thereof, from local, state, and federal taxation.

Turning its attention specifically to housing projects, the Board urged loans to limited dividend corporations rather than direct construction by the Government.

If the Government enters our communities as builder and perhaps as landlord for thousands of citizens, we should face a new idea and a new way in American life. There is something startling in the thought of housing our people in a kind of federal barracks. It is well that the Chamber sounded a warning.

The Food Bill's Purposes and Perils

By PAUL HAYWARD

★ AS the seventy-third Congress assembles for its closing session, one of the lustiest legislative foundlings ever to appear on our national doorstep is clamoring for adoption.

The foundling is popularly known as the Tugwell Bill—though it may be misbranded, as will appear—and controversy rages as to whether Congress shall clasp this surpassing child to its bosom or slam the door on the monstrosity.

The purposes of this bill are, in its own language, "to prevent the manufacture, shipment and sale of adulterated or misbranded food, drugs, and cosmetics, and to regulate traffic therein; to prevent the false advertisement of food, drugs and cosmetics, and for other purposes."

Before carrying the introduction further, let's look to the paternity and present status of the child. Quoting the Food and Drug Administration of the Department of Agriculture as to paternity:

"President Roosevelt has ordered a new deal for consumers. As its direction, Assistant Secretary Tugwell and other officials of the Department of Agriculture have drafted an entirely new 'pure food law,' and Senator Royal S. Copeland of New York has submitted it to Congress."

The bill (Senate 1944) was introduced by Senator Copeland in the course of the emergency session last June and referred to the Senate Committee on Commerce. A similar bill (H.R. 6110) was introduced in the House by Representative W. I. Sirovich, of New York City, and was referred to the Committee on Interstate and Foreign Commerce. Hearings on the Senate bill opened December 7, as this was written.

The measure, as Assistant Secretary



Exhibit showing information which the Tugwell Bill, as worded, might require printed on a box of candy



A BUREAUCRATIC dictatorship controlling not only the food and drug industries but other large sections of American business is the danger which thoughtful men see in the proposed Tugwell pure food and drug bill

Rexford G. Tugwell explains it, is "a revision of the old Food and Drugs Act of 1906." It has been designed, he adds, to stop loopholes in the old act and to modernize it.

These purposes and aims are, on their face, laudable enough. Why, then, on the one hand, do we see food manufacturers, drug and cosmetics manufactur-

ers, advertising men, publishers and others taking up cudgels against the bill.

Why, on the other hand, do we see the Department of Agriculture undertaking perhaps the most extensive propaganda an executive department has ever conducted in behalf of a measure pending before the legislative branch of Government? This propaganda embraces news reel and radio speeches by Department officials, appearances before women's clubs and similar groups, special articles in trade and other publications, proffers of a series of eight articles "to illustrate important features of the new law and the special abuses—many of them highly sensational—which it is designed to correct," proffers of exhibits for display before interested organizations, and display of these travelling exhibits at A Century of Progress, state fairs, and elsewhere.

Dictator

Answering the first question, few of the bill's opponents object to its announced purposes. They do object to a number of its specific provisions and their possible applications. They say that the measure would make the Secretary of Agriculture practically a dictator in certain fields. They cite other principles as the bases of objections, a good many of which simmer down to the fact that the bill, as now written, threatens not alone

the rogues and rascals but legitimate business and legitimate profits. Certain prohibitions and penalties in the bill, it is pointed out, would fall, like the rain, on both the just and the unjust. Framers of the bill, say opponents, threaten to burn the house to destroy the rats.

As to the reasons for the bill, they are summarized in the following Food



"Why do we still use hand carriage typewriters when ELECTRIC RETURN is so much easier and faster?"

In the new Burroughs Electric Carriage Typewriter a built-in motor returns the carriage . . . spaces to the next writing line . . . and shifts to capitals. Every movement of the carriage is controlled

from the keyboard, saving all interruptions formerly required to move the carriage by hand. Executives—as well as typists—quickly understand that this results in easier, faster and neater typing.

Call the local Burroughs office for a demonstration, or write for illustrated folder

BURROUGHS

ELECTRIC CARRIAGE

TYPEWRITER

BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICH.

When phoning your local BURROUGHS dealer please mention Nation's Business

and Drug Administration statement:

"The aim of the present food and drugs act (of 1906) is to protect public health and to prevent deception of consumers. . . . The new bill . . . preserves all worthy features of the present law and contains, in addition, the following new features:

"1. Jurisdiction over false advertising. Many foods and drugs bear no false statements on their packages but their advertising is blatantly deceptive. . . .

"2. Inclusion of cosmetics. The health of many persons is impaired by poisonous cosmetics. . . . The present law has no jurisdiction over cosmetics. . . .

"3. Better control of poisonous foods. The present law contains no provision against poisons in foods unless they are added. This bill prohibits the sale of dangerous foods whether the hazard is caused by added poisons or otherwise. . . .

"4. Authorization to establish definitions and standards for food. . . . This bill authorizes the establishment of standards of identity and definitions of quality for all foods.

"5. Permits may be required for the manufacture of food that may be injurious and against which the public cannot be protected by other provisions. . . .

"6. Provisions made for more adequate control of false curative claims for drugs. . . . Under the present law . . . the Government must show not only that the (curative) claims are false but that the manufacturer knows they are false . . . the new bill prohibits false curative claims in both labels and advertising. The Government would not be required to show that the manufacturer knows they are false. . . .

"7. Fully informative labeling of

foods and drugs required. The present law prohibits false labeling but does not require . . . the whole truth. . . .

"8. More adequate penalties. . . . Heavier penalties in the bill and authorization to stop violations by injunction proceedings should have a deterrent effect on manufacturers disposed to risk violations for monetary gain."

The horrible examples

THE evils here indicated have been expanded upon in speeches and articles. Especially effective have been the exhibits of nostrums, harmful cosmetics, mislabeled foods and so on. The room in the Food and Drug Administration Building in Washington where one of these exhibits is displayed has been dubbed by newspapers the Chamber of Horrors. Certainly the \$12 pint bottle of a supposed remedy for diabetes, flanked on the one side by testimonials and on the other by the certificates of death, from diabetes, of those same testimonial writers, warrants the appellation. An ex-shirt salesman prepared this "remedy," we are told, and he went free when the Government, as required by the present law, was unable to prove that he *knew* the claims on the label were false.

These displays have yielded fearsome and convincing talking points. But the pleas have not been confined to arguments for the bill. They have included attacks on both the integrity and intelligence of its opponents, as witness this extract from a radio talk given by W. G. Campbell, chief of the Food and Drug Administration, on November 22 over a network of 48 stations. He said:

"In spite of the obvious merits of this new measure it is becoming evident that its passage by Congress is going to be bitterly opposed. Opposition from the racketeers and chiselers is natural and is to be expected. But it is becoming increasingly evident that they are trying and to some extent have succeeded by a campaign of misinformation as to the real purposes of the bill in arousing opposition to the law on the part of many ethical manufacturers. They have gone further. They have tried to mislead the business offices of influential newspapers into opposing this vitally necessary law. Some of these newspapers have been misled, and in turn have convinced a certain element of the public that this bill constitutes a deep-laid bureaucratic plot."

"The many ethical manufacturers," national associations and organizations, "influential newspapers," and others who oppose the bill doubtless were surprised to learn from Mr. Campbell how completely they had been misled by "the racketeers and chiselers." The news, however, has neither assuaged their fears of the measure nor diminished opposition to many of its provisions.

They do not contend that the bill cannot accomplish its announced and desirable purposes. Indeed, it is so broadly and comprehensively drawn that it is a well-nigh perfect instrument so far as enforcement is concerned. The rub, opponents point out, comes in the fact that it is so broadly drawn that it can go far beyond those purposes. Further, they declare, it includes ambiguous phrases, confers dictatorial powers on the Secretary of Agriculture and his

(Continued on page 56)

CANDY CONTAINING "PRIZES" MAY INJURE THE TEETH OF CHILDREN, OR MAY BE ASPIRATED INTO THE CHILD'S THROAT OR BRONCHIAL TUBES. IN A RECENT CASE THE COURT HELD THAT THE ADDITION TO CANDY OF A COIN DID NOT CONSTITUTE A VIOLATION OF THE FOOD AND DRUGS ACT.

LEAD FROM THE TRINKET HAS BEEN DEPOSITED ON THIS CANDY

One of the displays from the "Chamber of Horrors" collected by the Agriculture Department to show the need of a new pure food and drugs law

WASHINGTON ...when Congress Meets



On Speaker Henry T. Rainey, Ill. (with gavel) and Rep. Joseph W. Byrns, Tenn. (circle), majority floor leader in the House, rests largely the job of directing legislation through the House. Both are experienced parliamentary tacticians

When the gavel falls calling to order the second session of the Seventy-third Congress on January 3, the curtain will be up on a legislative drama in which the men shown here are expected to take important parts



Sen. Charles L. McNary, Ore. (above), and Rep. B. H. Snell (below), minority leaders in the Senate and House, will carry out the strategy of the Administration's opposition. The Senator should be heard from if the Agricultural program comes under fire. Mr. Snell was critical of the NIRA in the debate which preceded its passage



As majority leader in the Senate, Joseph T. Robinson, Ark., will control debate and maneuver speakers to the Administration cause. He had the brunt of carrying the Administration's program through the last Session and faces the harder task of doing it again this session



ALL PHOTOS UNDERWOOD & UNDERWOOD



As author of the Amendments which gave the President authority to inflate the currency, Sen. Elmer Thomas, Okla. (above), will be prominent if the currency program comes under fire. Sen. Hatfield, W. Va., Republican (below), staunch advocate of sound money and Senator Carter Glass, Va., will also be heard from on money matters



Senator Glass

The Tugwell Pure Food and Drugs Bill, introduced in the first session, undoubtedly will come up again. When it does, Sen. Royal S. Copeland, and Rep. Sirovich, both N. Y., will get into action. Senator Copeland introduced the bill in the Senate while Rep. Sirovich fathered it in the lower house. Indications are that each has a fight on his hands



Representative Steagall

Senator Borah, of Idaho (pointing), probably the greatest individualist in the Senate, is expected to take a hand in debates on money matters, and all others. From a silver-producing state, he is expected to champion wider monetization of silver. Rep. Henry B. Steagall, Ala., co-author with Senator Glass of the banking bill, must be considered if an attack on the bank guarantee develops



Sen. John J. Blaine, Wisconsin

Senator Copeland



H. J. Anslinger, in charge of Narcotics Bureau, Rep. S. G. Porter, Pa., Rep. Sirovich

ALL PHOTOS THIS PAGE UNDERWOOD & UNDERWOOD



UNDERWOOD & UNDERWOOD



As chairman and ranking minority member, respectively, on the powerful House Ways and Means Committee, Representatives Robert L. Doughton (above), and Allen T. Treadway, Mass. (shaking his finger at Rep. Fred M. Vinson, Ky.) are chairman and minority leader, respectively, of the House Ways and Means Committee through which many of the session's most important measures will reach the floor. The proposal to amend the income tax laws is scheduled for consideration by this group



HARRIS & EWING

Recognized last session as spokesman for the "New Deal," Sen. Robert F. Wagner, New York, probably will occupy again the rôle of Administration champion



UNDERWOOD & UNDERWOOD

Between sessions, Sen. L. J. Dickinson, Iowa, has been an outspoken critic of the "New Deal"



UNDERWOOD & UNDERWOOD

Treaties and trade agreements growing out of Russian recognition will be the concern of Sen. Key Pittman, Nev., Chairman of the Foreign Relations Committee



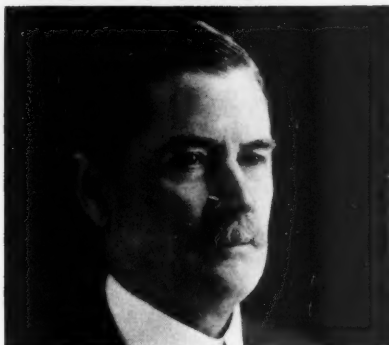
UNDERWOOD & UNDERWOOD

Rep. James Parker, New York, will be heard from on foreign trade problems brought up by liquor imports



UNDERWOOD & UNDERWOOD

When reverberations of the stock market and banking investigations reach the Senate floor, Duncan U. Fletcher, Fla., will be in the thick of them. He was chairman of the Senate Investigating Committee



UNDERWOOD & UNDERWOOD

Rep. James P. Buchanan, Texas, will have much to say about the nation's expenses as Appropriations chairman



U. & U.

Sen. William G. McAdoo, Cal., is new to the Senate. Observers predict he will have plenty to say and say it vigorously



Although they do not sit in Congress, several men will have much to do with shaping policies of this session. One of these is Jesse Jones, head of the RFC and one of the most powerful figures in the Government family today



When the President returned from a recent trip the first man sent for was Harry Hopkins, head of federal relief, who will advise in the spending of several million dollars



George Frederick Warren, Cornell professor and one of the "Brain Trust," is an expert in agricultural matters and an exponent of the "commodity dollar" which may or may not be tried



Lewis Douglas, director of the budget and prominent in Government financial matters, will hold the reins which guide the spending of tax money



PHOTOS BY UNDERWOOD & UNDERWOOD

Chiefly prominent as author of the widely discussed "Food and Drugs Bill" R. G. Tugwell, Assistant Secretary of Agriculture, has a prominent place in the farm program



*In 1589 Plantin proved
quality printing need not be costly*

BEFORE his death in 1589, Plantin, one of the immortals of printing, summed up his life's work with these words: "I have proved for all time to come that quality in low cost books can be made practical."

Now, nearly three hundred and fifty years later, Kleerfect—The Perfect Printing Paper—gives modern significance to Plantin's words about quality at low cost. In Kleerfect are combined in perfect balance the five qualities that printers, publishers, and advertisers have long sought in uncoated book papers.

Kleerfect has strength for modern high speed presses; has opacity greater than other papers of equal weights; has a non-glare surface and a color suited to precise color work; has ink absorp-

tion proper for clear printing and perfect coverage with minimum consumption of ink; has both surfaces alike — no "two-sidedness," the wire marks having been eliminated by special processing.

Kleerfect is available at prices no higher than you are used to paying for just printable paper. This advertisement is not printed on Kleerfect, so to appreciate fully the effect that Kleerfect will have on the art of printing, send for the book—"The Printability of Certain Papers—and Why." It presents the five essential qualities of Kleerfect, whether used for one or for multiple color printing or for rotogravure.

Please address your request, on your letterhead, to our Chicago address.


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THE PERFECT PRINTING PAPER
MANUFACTURED UNDER U. S. PAT. NO. 174485

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122 East 42nd Street

Kimberly-Clark Corporation
ESTABLISHED 1872

NEENAH,
WISCONSIN, U. S. A.
LOS ANGELES
510 West Sixth Street

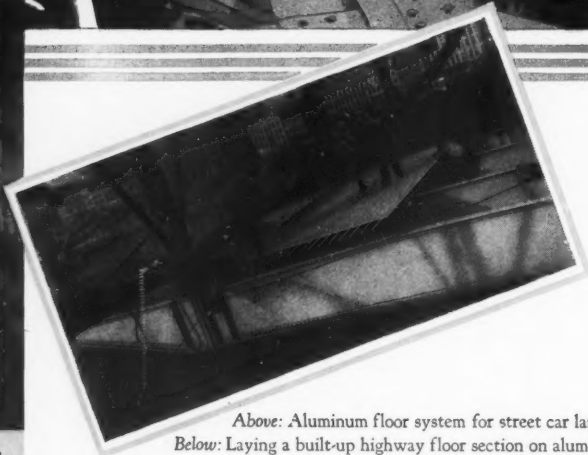
returned
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UNDERWOOD
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Built for 1882 traffic



Aluminum highway floor ready for asphalt surfacing. (Street car tracks shown at upper right of this photograph.)



Above: Aluminum floor system for street car lane.
Below: Laying a built-up highway floor section on aluminum beams.



When writing to ALUMINUM COMPANY

ALUMINIZED it's good till 1958



Structural Aluminum adds 25 years to the life of Pittsburgh's "doomed" Smithfield Street Bridge

By giving the present structure 25 years extra life, Pittsburgh taxpayers saved the price of a new bridge! Chalk that up for the light, strong alloys of ALCOA Aluminum.

The job: The Smithfield Street Bridge over the Monongahela, leading into Pittsburgh's busiest district. Built for 1882 traffic. Stressed to the safety limit in 1933 by loads which not even the most imaginative engineer of that day could have anticipated. A completely new bridge was needed—unless enough dead weight could be eliminated to offset the increased vehicle load. Structural Aluminum beams, stringers and pre-fabricated flooring units provided the answer. Saved 750 tons of dead weight. Prolonged the structural life of the bridge another quarter-century. Saved the taxpayers a million and a half dollars—thanks to the ingenuity of the City Engineers in applying ALCOA Aluminum to solve the problem.

Your city, too, can find new economies with ALCOA Aluminum. Stronger than

structural steel, yet only 1/3 as heavy, highly resistant to corrosion, these alloys are doing a job in all sorts of public works and equipment—in truck bodies, street, subway and "L" cars, power lines, sewage disposal plants. Available even in the form of paint pigment (ALCOA Albron Powder) aluminum increases visibility, guards against rust, warping, weathering.

For Industrial Economy, Too

Not only your community, but your own company, can use ALCOA Aluminum to advantage. It is non-contaminating, non-magnetic, easily fabricated, high in heat and electrical conductivity. Its lightness speeds up production equipment. To your product it brings light-weight, attractiveness, sales-appeal. In every factory, paint made with ALCOA Albron Powder as a pigment, means maintenance economies.

For information on how to use, form or handle ALCOA Aluminum, please write ALUMINUM COMPANY of AMERICA; 1825 Gulf Building, PITTSBURGH, PENNSYLVANIA.



ALCOA ALUMINUM

These Products, Too, Have Been MODERNIZED WITH ALCOA ALUMINUM

Just a few of the many products that have been improved by using ALCOA Aluminum. Our development engineers have information on what these light, strong alloys can do and have done for products in your industry. Please write us!

Overhead Cranes 1, 2, 5
Wheelbarrows 1, 2, 3, 5
Lifting Jacks 1, 2, 3
Brewery Equipment 1, 2, 5
Meter Boxes 1, 2, 5
Scaffolds 1, 2, 5
Sewage Disposal Equipment 2, 5
Railway Section Cars 1, 2, 5

Office Equipment 1, 3
Coin Changers 1, 3
Diesel Engines 1, 4, 5
Fire Extinguishers 2, 3
Lighting Fixtures 2, 3, 5
Surveying Equipment 1, 2
Radio Parts 1, 2, 5

Outboard Motors 1, 2, 3, 4
Window Sash 1, 2, 3
Spray Guns 1, 2, 3, 4
Collapsible Tubes 3, 5
Roller Skates 3, 4
Refrigerator Insulation 1, 2
Store Fronts 2, 3

Traffic Markers 2, 4, 5
Humidifiers 1, 2, 3
Bolts 1, 2, 4
Connecting Rods 1, 4
Golf Clubs 2, 3
Milk Coolers 2, 5
Pneumatic Tools 1, 2, 3, 4
Roofing 1, 2, 5

1 For Lighter Weight 2 For Corrosion Resistance 3 For Sales Appeal 4 For Greater Strength 5 For Economy

OF AMERICA please mention Nation's Business

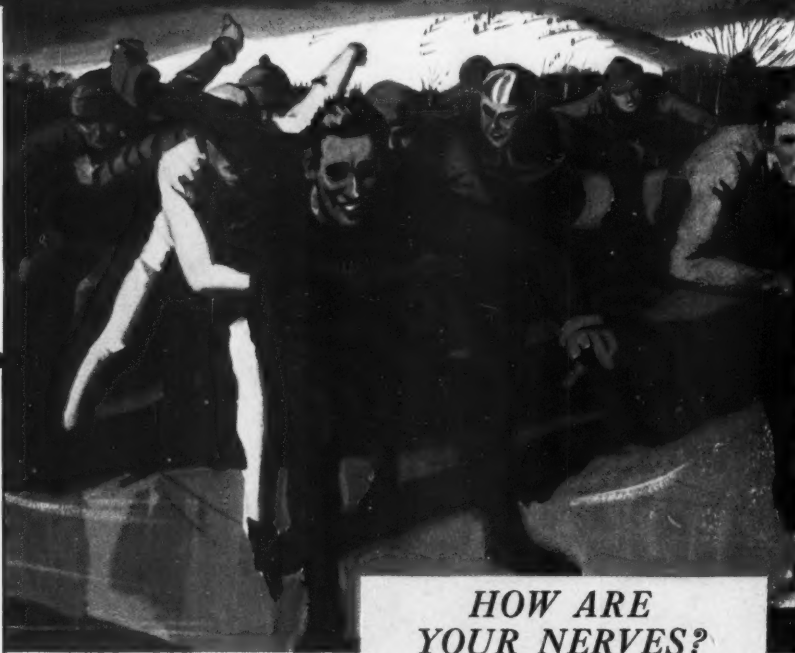
IT TAKES HEALTHY NERVES

FOR JAFFEE TO BE THE WORLD'S CHAMPION SKATER



IRVING JAFFEE

Winner of 1,000 medals and trophies, including 3 Olympic Skating Championships, Jaffee has brought the highest skating honors to the U. S. A. Asked recently if he was a steady smoker, Jaffee said, "Yes, but that goes for Camels only. I have to keep my wind, you know, and healthy nerves."



Copyright, 1933, R. J. Reynolds Tobacco Company

Steady Smokers turn to Camels

You've often seen his name and picture in the papers—Jaffee, the city-bred boy from the U. S. A. who beat the best Olympic skaters that Europe had to offer, and became the skating champion of the world! Speaking of speed skating and cigarettes, Jaffee says: "It takes healthy nerves and plenty of wind to be an Olympic skating champion. I find that Camels, because of

their costlier tobaccos, are mild and likable in taste. And, what is even more important to a champion athlete, they never upset the nerves."

Change to Camels and note the difference in your nerves...in the pleasure you get from smoking! Camels are milder...have a better taste. They never upset your nerves. Begin today!

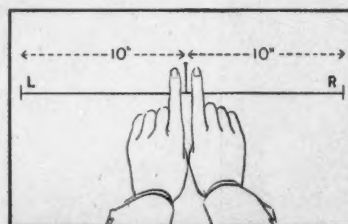


IT IS MORE FUN TO KNOW

Camels are made from finer, MORE EXPENSIVE tobaccos than any other popular brand.

HOW ARE YOUR NERVES?

TRY THIS TEST



Draw a line 20 inches long on the edge of a newspaper. Stick a straight pin in the exact center. Place a forefinger on either side of the pin. Close your eyes...try to measure off quickly the distances by moving both hands at the same time. Have a watcher stop you when you reach the edge. See if both your fingers have moved the same distance. Most people try this at least six times before both hands come out evenly.

Frank Crilley (Camel smoker), famous deep-sea diver, completed the test on his second try.

CAMEL'S COSTLIER TOBACCOS



NEVER GET ON
YOUR NERVES

NEVER TIRE
YOUR TASTE

Putting a Code to Work

By WILSON COMPTON Counsellor, the Lumber Code Authority

THE experiences, good and bad, in the first days of code operation are set down here by a man who not only helped draft the code but is helping to make it work

✓ THE National Industrial Recovery Act came to the lumber industry as the fulfillment of a prayer. Ever since the World War, this industry has been struggling valiantly but with little effect to lift itself out of the quicksands of industrial change and internal conflict, to improve and extend its markets and the uses of its products, and to establish the means of perpetuating the forests, the sources of its livelihood.

The leaders of the industry had striven during those years for just the things which the NIRA seemed to promise, that is, planned and orderly production, rationalization of prices, steady employment, elimination of "sweat shop" wages and "sweat shop" competition, and forest perpetuation.

Speaking at the annual meeting of the National Lumber Manufacturers Association in Chicago last June in submitting to the timber products industries a proposed code of fair competition, I had occasion to refer to "the tragic symptoms of industry deterioration during the past decade, accentuated by the general depression during the past four years."

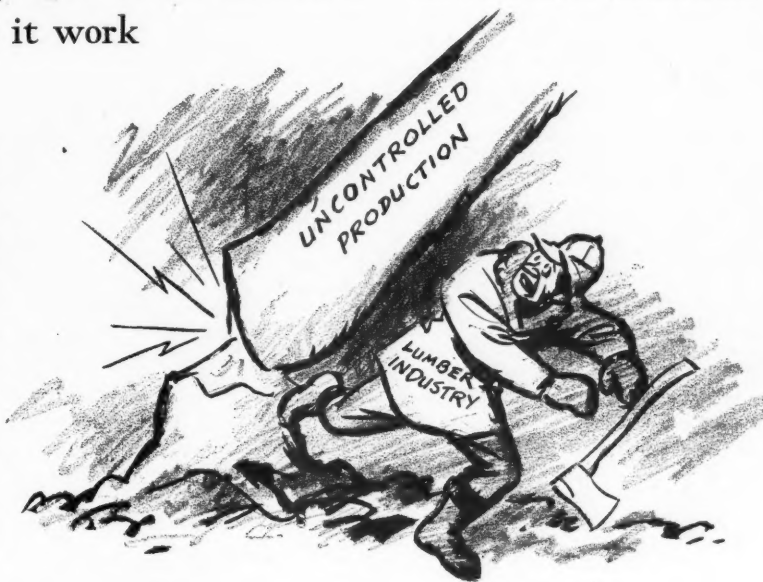
A Magna Charta for lumber

I SPOKE of the apparent defects in the new law and certain vexatious and objectionable features, but added:

"Its possibilities of good, in my opinion, far outweigh its probabilities of evil. If widely used, it may be made to establish a Magna Charta for the forest products industries of America. It promises to deliver to this industry a fighting chance to reestablish for itself and for its employees security and an opportunity to prosper, to perpetuate the forest sources of its existence and

upon the forest products industries.

The establishment of our American forests on a self-paying and self-sustaining basis has been a hope of my years of association with the lumber industry. So I may be pardoned if first of



Before the Code was adopted, uncontrolled production was gradually driving to ruin a great natural resource industry

to establish itself in the good will and confidence of the American people."

The situation of the lumber industry was something like this:

Uncontrolled production and hence uncontrollable competition were gradually driving to ruin a great natural resource industry—an industry occupying a fourth of the land area of the nation—already suffering from extortionate taxation and the effects of the antitrust laws. The lumber industry was consuming its capital without replacement; it was depleting its forests and destroying its own existence without means of preventing either.

The products of the forests were being sold below cost at the same time that pay rolls were being hideously reduced and the standard of living lowered in thousands of communities dependent largely for their livelihood

all I talk about the Lumber Code and reforestation. Reforestation had long been a dream with the men who make their living and maintain a great industry by deforestation. Its realization had come to be viewed as something clearly desirable but impractical. Then, all at once, we found that, thanks to the Act and the Code, we had a chance, not only of deriving some profit from felling trees, but of replacing our capital by growing them. The Code, due to the President's action in making the conservation of natural resources one of the purposes of the Recovery program, declared for sustained-production management of private forests and indicated the course to be pursued in working out the necessary regulations to that end.

The outcome, as I write, is that idealistic, and even emotional, professional foresters, and hard-boiled lumber-

men who are more inclined to see dollars than beauty in the silvan world, are amicably working out a code of forest practice which will gratify both the realist and the idealist. The forest lovers are to have their pleasant forests and the forest users are to have their logs; and prosaic utilization is to finance the aesthetic and the social. This outcome, to be sure, depends on the modification by the timber states of their present confiscatory system of taxing not only the forest land itself, but also year after year the forest crop. But there is now even hope of that.

Reforestation and lumber

SO the lumber industry finds itself unexpectedly catapulted by the "new deal" into the status of a forest growing industry.

Of course, there will be no private forests to save or to propagate if the Lumber Code should turn out to be a destructive business innovation—if conservation of trees should deplete treasuries. It became effective August 22—and three months is too short a time in which to appraise its results. One cannot speak as an ultimate judge, but he may speak as a witness. As one of the authors of the Lumber Code, as a member of the Lumber Code Authority, and also as counsellor to that body I have had an opportunity to watch the direct action and indirect incidence of the Code in the 90 days since it was imposed upon our industry.

While we have been crying for just about what was finally handed to us, it must be remembered that ours is probably the most difficult of the great industries to which to apply a code. We have 20,000 sawmills, and 15,000 other forest units under the code, and 40,000 distributors of lumber and lumber products, to say nothing of 50 or 60 industrial groups which derive their raw material from the sawmills. We have mills capable of turning out a million feet of lumber a day and mills which are lucky to make 2,000 or 3,000 feet. We have mills which own their forests and mills which depend upon neighbor farmers for their logs. We have mills that, because of climatic conditions, can operate only a part of the year, and other mills which, under favorable conditions, can run day and night. We have efficient, up-to-the-minute, low-cost modern mills and we have obsolete and inefficient mills. A program of spreading work and raising the rate of pay over such an area has encountered the most conflicting facts and factors.

Such a task at times seemed almost insuperable and the problems it has raised have been many, bewildering,

and often unexpected. United States Senators have not hesitated to ally themselves with non-cooperators and encourage them to act as if no lumber code were ever written.

At the very start we had to face the task of restricting the recently booming production of an industry which had been starved for three years. Just when manufacturers were beginning to see black on their balance sheets and long-idle laborers were again enjoying pay envelopes, it became necessary, in applying the ideals of the Recovery Act, to lower production quotas. As a result, mills which had been running full time or even double shifts since last April were compelled to reduce their running time and so to reduce their pay rolls. It is not difficult to imagine the indignation in a lumber community where a pay roll is abruptly reduced one-half, after a few months of activity which followed perhaps years of little work and small pay. Proprietors would not be human if they did not complain, and employees would be angelic if they did not chafe under such conditions—particularly in a highly individualistic in-

their carrying costs. The factor of depreciation was obviously hard to handle. The fixing of definite quotas of production provoked mighty grief. There was scarcely a mill that did not believe that its situation was unique and entitled to exception. Stocks were so large that the United States Timber Conservation Board was advising drastic reduction. But here was NRA clamoring for pay rolls and mills that were ready to take the chance of finding a market, and hundreds of thousands of employees in straitened circumstances. So the Lumber Code Authority authorized a total production of a billion more feet of lumber in the last quarter of 1933 than was actually produced in that quarter of 1932.

Thus, right off the bat, an organization intended to stabilize the industry and adjust production to consumption found itself gambling in futures—taking the chance that NRA would work and that the market would be greatly expanded by next spring. If hopes go wrong, the slack will have to be taken up painfully.

Comes a mill owner and says the minimum price and also the production quota are ruining his export business—transferring it to the British Columbia mills, whither the code does not extend but which are freely open to the foreign buyer.

Foreign complications

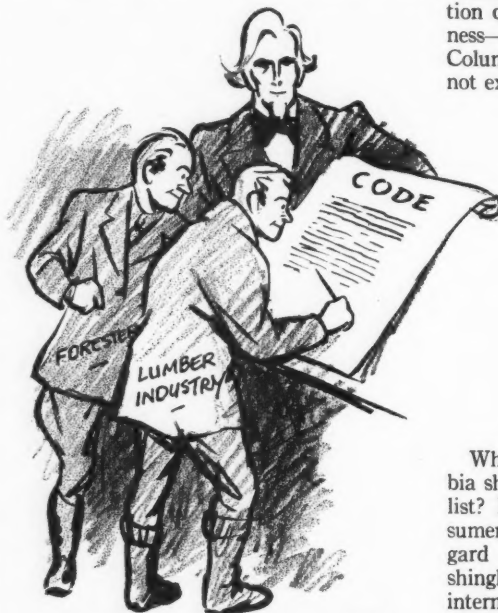
COME the eastern Canadian mills which have been supplying contiguous United States territory, notwithstanding the \$4 tariff, and represent that, in equity to consumers, they should be allowed some portion of their accustomed market. Rather than risk an embargo, they promise to abide by the code.

What to do about the British Columbia shingles which are on the free tariff list? Bar them by embargo and consumers will riot. Let them in without regard to the code and the domestic shingle business is shot. An industrial international treaty results. The British Columbia mills are guaranteed about their established proportion of the American market, and they undertake to play the shingle game according to the Lumber Code.

Minimum prices ramify into Guinea, Guiana, the Philippines and other distant regions. Put up walnut, say, to put up walnut wages, and mahogany comes rushing over the oceans to displace home walnut. Wholesalers must, therefore, up-price mahogany produced by clouted savages. Will our codes grow into international cartels? We wonder.

One company has a double shift mill and argues that it should be treated ex-

(Continued on page 53)



Idealistic foresters and hard-boiled lumbermen are now working together

dustry condemned by its own tendencies and obsolete laws to economic hell-raising and conflict.

The authority to establish protective minimum prices, a heaven in prospect, was full of grief in practice. A minimum price that would cover the cost of production for everybody would be suicidal, because it would leave the industry with admirable prices and no buyers. Yet it was a bitter pill for the owners of large timber reserves to find that little or no allowance was made for

Lay foundations for your own financial structure as you would for a building



Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

A SUCCESSFUL business man asked his architect to plan a new and better building to replace one which stood on a valuable piece of property.

Plans were submitted for a then up-to-date three story structure. The business man smiled and said, "Plans are fine, but some day a far bigger building will be needed there. Lay foundations which would support a skyscraper."

* * * *

When you acquire your first life insurance policy you lay down a foundation on which your future financial independence may be built. You will want a Program of Life Insurance—a plan of protection for you and yours.

Your first thought is for the members of your family who need your protection. You are

determined that your children shall have an education—come what may.

Meanwhile you must provide against accident, or sickness which would interrupt your earning power. You look ahead to retirement days when you will want leisure and comfort. A well-planned Insurance Program, closely followed, will provide for almost every financial need of your family and yourself.

You can have, for the asking, a complete modern Life Insurance Program as clear and definite as an architect's blueprint. He would indicate stone, steel and concrete. Your plan will indicate the kinds of insurance you need first for a sound program and those you should add as time goes on and money permits. Send for a Metropolitan Field-Man or mail this coupon.

Metropolitan Life Insurance Company,
1 Madison Avenue, (N)
New York, N. Y.

Without obligation on my part, I shall be glad to have you send me information regarding a modern Life Insurance Program.

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ADDRESS _____

CITY _____

STATE _____



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

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When writing to METROPOLITAN LIFE INSURANCE COMPANY please mention Nation's Business

Synopses of Codes

Approved under The National Industrial Recovery Act

OCTOBER 20 — OCTOBER 31

NUMBER indicates notice of hearing. Date shows when approved. In general, the codes pledged full support to the Act's provisions:

"That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or pro-

tection; that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and that employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment approved or prescribed by the President." Minors under 16 (18 in hazardous occupations) with some exceptions, may not be employed.

INDUSTRY	Maximum Hours	Minimum Wages	Trade Practices
(92) Cap and Closure Industry (Oct. 20)	40, averaged over 6 months (one month for office and clerical employees), but not to exceed 48 in any week; executives, supervisors, outside salesmen, technical and laboratory staffs, watchmen, emergency repair and maintenance work excepted.	40 cents per hour, factory or mechanical workers, qualified by rate July 15, 1929, but not less than 30 cents; apprentices and learners, 80 per cent; accounting, clerical, office, etc., \$14 to \$15 per week, according to population.	Open price structure authorized, with no limitation on prices any member may quote. Forbidden practices include imitation of trade names or marks, deceiving customers as to quantity, quality, etc., misleading marking or branding, rebating, commercial bribery, splitting commissions, false invoicing, etc.
(94) Marking Devices Industry (Oct. 20)	Not over 520 hours in any 13 week period, or an average of 40 hours per week, but not over 48 hours in any week; watchmen (in pairs) 36 and 48 on alternate weeks or an average of 42 hours per week; exceptions, emergency repair crews, outside sales force, executive and supervisory employees (but not when doing productive or mechanical work); engineers, electricians, designers, draftsmen, shipping crews, truck or delivery wagon employees—this group limited to 48 hours.	32½ cents per hour, or \$13 per week; learners, 80 per cent to 90 per cent, according to experience; messengers, 80 per cent.	Selling below cost (with specified exceptions) as determined by a cost finding system to be approved by Administrator, variation from current price lists, fictitious pricing, rebating, commercial bribery, inducing breach of contract, defamation of competitors, etc., prohibited.
(41) Retail Drug Trade (Oct. 21)	56, excepting outside salesmen, establishments employing not more than 2 persons in towns of less than 2,500, registered pharmacists, managerial or executive employees receiving more than \$35 per week, employees on emergency maintenance and repair work. Hours of operation: 52 hours per week, or number of hours operated before July 1, 1933 if less than 52 hours.	From \$15 per week in the North and \$14 in the South in cities over 500,000, to \$12 per week or less in towns of less than 2,500 population, excepting porters, cleaners, and outside help, delivery boys and waitresses.	Goods shall not be sold at less than 5 per cent net profit; agreements for maintaining re-sale prices uniform to all distributors are to be permitted; commercial bribery, espionage, simulation of design, substitution of products, false advertising, etc., prohibited.
(118) Industrial Supplies and Distributors' Trade (Oct. 23)	40, over any 6 months' period, 8 hours per day; not more than 48 in inventory and other peak periods for three weeks in any six months; managerial, supervisory executive employees, watchmen and outside salesmen excepted; persons in outside delivery, plant maintenance, outside repair or installation, stock receiving and shipping, 48 per week.	\$12 to \$15 per week, according to population; learners and junior employees, \$2 per week less.	Selling below cost (as defined) or below filed schedules of prices, terms and conditions of sale, rebating, falsifying sales documents, price discriminations, inducing breach of contract, selling on consignment, etc., prohibited.
(121) Steel Tubular and Firebox Boiler Industry (Oct. 23)	40, five days per week, except on emergency or erection work requiring excess time; exceptions, executives, secretaries, administrative and supervisory employees, traveling and commission sales people.	40 cents per hour, except in specified Southern states, where minimum is 34 cents an hour, old and disabled employees, 80 per cent; all other employees, except commission salesmen, \$15 per week, office boys and girls, 80 per cent.	Prices, terms and discounts to be publicly announced, all goods sold to be invoiced at true selling prices. Dissemination of false or misleading information concerning products of a competitor, commercial bribery, inducing breach of contract, etc., prohibited.
(129) Plumbago Crucible Industry (Oct. 23)	40; Kiln burners not to exceed 48; employees on maintenance to have tolerance of 10 per cent; 48, in peak periods for one month; exceptions, executive and supervisory employees, outside salesmen, field service men, watchmen, employees on emergency maintenance and repair work, and special cases where restrictions on hours of skilled workmen would unavoidably reduce or delay production.	40 cents per hour; accounting, clerical, etc., employees, \$15 per week; office boys and girls, 80 per cent.	A liberal and fair credit information exchange approved as policy. Unfair practices include: inducing breach of contract, secret rebates, commercial bribery, defamation of competitors, fraud and misrepresentation, selling of "seconds" or off size crucibles, selling on consignment.

HOW MUCH WILL IT COST *to do Business* *in 1934?*

How MUCH MORE? Nobody knows.

But it is known that during the next six months the country is going to witness the greatest wholesale revamping of business forms, records, and systems in its history.

Students of business practice are of the opinion that the upheaval in accounting methods, following revision of the Federal income tax in 1918, was mild in comparison with what is in prospect for the coming winter and spring.

Almost without exception the codes of business and industry call for new information and more detailed records and reports; many will require uniform cost systems. State sales taxes multiply bookkeeping and record problems; Federal bank insurance calls for new statistical data from banks; repeal of the 18th Amendment will carry its own requirements in reports, records, and forms. Whatever we may think about this program, it presents a condition for which adequate preparation must be made.

Fast and accurate compilation of figures is required to meet this situation. No better equipment for this purpose is available than the Comptometer and the Comptometer Peg-Board.

The Comptometer Peg-Board method is speedy, dependable, and adaptable to any volume of work in analysis of sales, payroll, material, expense and any other statistical data. And above all, it is economical.

Everywhere this method is growing in favor because it supplies quicker figures, cheaper figures, more accurate figures. It has been adopted and is being used successfully by many nationally known companies—as well as smaller ones.

There's a vast store of experience in cost accounting and figure routines back of Comptometer service. It is at your command for the discussion of any fact-finding problem, whether related to NRA codes or otherwise. Just fill out the coupon. No obligation. FELT & TARRANT MFG. CO., 1712 N. Paulina Street, Chicago, Ill.

FELT & TARRANT MFG. CO.
1712 N. Paulina Street, Chicago, Ill.

Please advise how you can help us get cost figures quickly, accurately, economically.

Name _____ Address _____

City _____ State _____

COMPTOMETER METHODS SPEED PRODUCTION OF COST FIGURES

COMPTOMETER

(TRADE-MARK)

When phoning a COMPTOMETER representative please mention Nation's Business

INDUSTRY	Maximum Hours per week	Minimum Wages	Trade Practices
(20) Dress Manufacturing (Oct. 31)	35 for workers in mechanical processes; all others, 40 per week; watchmen, 6 days per week; exemptions, foremen and executives receiving \$35 or more per week; exceptions may be allowed for not more than 6 weeks.	In New York on higher priced garments; cutters, \$45 per week; sample makers, \$30; drapers, \$27; examiners, \$21; cleaners and pinkers, \$15; operators, 90 cents an hour; pressers, \$1 an hour; finishers, 65 cents; lower priced garments, cutters, \$45 per week; machine cutters, \$37; stretchers, \$27; sample makers, \$30; examiners, \$20; cleaners and pinkers, \$15; operators, 75 cents per hour; pressers, 85 cents per hour; finishers, 57 cents per hour; Eastern area, higher priced garments, not less than 90 per cent of above minima for various crafts, as in New York, except examiners \$17 per week; Western area, not less than 85 per cent of minima in New York. All other employees in these areas, not less than \$14 per week. (Code approval provides for further hearings on scales)	Provision for uniform order blanks, protection of original styles; variation from established discounts, secret allowances, rebates, etc., prohibited. Production limited to one shift a day.
(82) Road Machinery Manufacturing (Oct. 31)	40, but not more than 44 for eight weeks in any six months for factory workers; 10 per cent tolerance for employees in care and maintenance of plant machinery, production facilities, stock and shipping clerks; exemptions, foremen, supervisory employees, field service men, and employees on emergency maintenance and repair work.	\$12 to \$15 per week, according to population for clerical, etc.; 40 cents per hour for factory workers; office boys and messengers, 80 per cent.	Selling below cost (with specified exceptions) making concessions in established prices, discounts, etc., prohibited.
(86) Millinery and Dress Trimming Braid and Textile Industry (Oct. 31)	40, except repair shop crews, engineers, firemen, supervisors, shipping and watching crews, employees under the latter group working in excess of 40 hours per week to receive time and one-third for overtime.	35 cents per hour in New York City. 32½ cents elsewhere.	Selling below cost, style and design piracy prohibited.
(54) Motor Bus Industry (Oct. 31)	40, average, for clerical employees; 48, average for maintenance employees and service men—six hours extra allowed for peak or emergency conditions; bus operators and ticket agents, 48 averaged over six weeks, 54 in any week out of nine months; 48 for three other months; managers, porters, emergency crews excepted.	\$12 to \$15 per week, except porters, according to population.	General licensing of passenger motor carriers is recommended, new licenses or extension of licenses to be allowed only on showing of public convenience. Provisions for filing tariffs, through National Motor Bus Code Committee, for compliance with state laws with respect to bonds or insurance, for limiting commissions on tickets to 10 per cent, etc.
(102) Gas Cook Industry (Oct. 31)	40; for exemptions, executive, technical, outside salesmen, and supervisory employees; truck drivers and shipping employees, 10 per cent tolerance; watchmen, 48 hours in any week.	40 cents per hour; office boys and girls, learners 80 per cent; 33 cents per hour for light repetitive work; clerical workers, \$15 per week.	Including breach of contract, disparaging statements about competitors, misleading advertising, etc., prohibited.
(112) Paint, Varnish and Lacquer (Oct. 31)	40 for office workers for 20 weeks, and 48 for six weeks in any 26 week period; limitations do not apply to watchmen, janitors, caretakers, and supervisory, managerial, and executive employees receiving \$35 or more per week; 40 for factory mechanical workers or artisans, 45 hours per week permitted for six weeks in any 26 week period.	\$14 to \$15 per week for office workers; factory workers, 40 cents per hour, male; 35 cents, female; 10 per cent less in the South; not less than 30 cents per hour for partly incapacitated employees; office boys and girls, 80 per cent.	Misbranding, mislabeling, false advertising, commercial bribery, guarantees against price decline, selling below cost, etc., prohibited.
(114) Terra Cotta (Oct. 31)	40, except for repair shop crews, engineers, electricians, firemen, office drafting, supervisory and technical staff, watching and outside crews, and cleaners.	35 cents per hour, North; 30 cents, South.	
(72) Fertilizer (Oct. 31)	40, averaged over any consecutive four months; limitations do not apply to superintendents, managers, chemists; tolerance of 8 hours per week in planting season, with 20 hour excess for key men; 10 per cent tolerance for repair shop crews, engineers, electricians, watching crews.	35 cents per hour, Northern area; 25 cents per hour, Southern area; 40 cents per hour, Pacific coast; 35 cents per hour, in Mid-West and South-West, 20 cents, Puerto Rico.	Fertilizer Recovery Committee may submit to Code Administrator recommendations with regard to production and new capacity.
(120) Packaging Industry (Oct. 31)	40, for factory or plant workers; provisions for peak demands; 40 for accounting, clerical, office, service, sales, etc., stockkeeping or shipping employees; limitations do not apply to employees on emergency maintenance or repair work, executives, professional persons, factory and office supervisory staffs, technical engineers, outside service men, and field salesmen; 56 per week for watchmen.	40 cents per hour to employees in production work; other employees \$14 to \$15 per week, according to population; office boys or girls, and learners, except apprentices, 80 per cent; indentured apprentices not affected; physically handicapped workers, 80 per cent.	Secret rebates, commercial bribery, interference with contractual relations, misrepresentation or false or misleading advertising, declared unfair.

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A railroader's ideas on food service . . . by Frederick E. Williamson, President of the New York Central Lines

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"To you, your meal is merely one pleasant incident among the many you enjoy when you ride the 'Century'.

"Meals keyed to such a sure tempo, served apparently without effort, smoothly, deftly, depend on organization and perfect equipment.

60 Used on Crack Trains

"Every diner on the 'Century' . . . and there are 20 of them . . . carries a Monel Metal kitchen. In that respect these cars are like 40 diners that cater to travelers on other crack New York Central trains, including the Commodore Vanderbilt, Southwestern

Limited and the Wolverine.

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* * *

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You may use it to resist rapid disintegration and decay of your equipment . . . as in chemical plants; dye-houses and laundries. To protect your product from contamination . . . as in food plants and salt refineries. Or to stand up under severe wear, as in marine service and power plants.

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these same qualities to buyers of your goods . . . the way it's used in kitchen sinks, cabinet tops, tables, ranges, hot water heaters and storage tanks, washing machines, and kitchen tools.

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MONEL METAL



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Spotlights on American Business

From Reports presented to the Board of Directors of the National Chamber

Fiscal Situation

AN examination of receipts and expenditures for the first quarter of the fiscal year ending September 30 indicates that the federal budget situation has materially improved as compared with the similar period of last year. Receipts for the first quarter of the fiscal year were \$672,000,000 as compared with \$437,000,000 for the same period last year. Ordinary expenditures as officially reported were reduced from \$839,000,000 last year to \$614,000,000 this year. Extraordinary expenditures totalled \$295,000,000, making total expenditures for the first quarter \$909,000,000, compared with \$1,100,000,000 for the same quarter last year.

Receipts during the first quarter of the current year exceeded operating expenditures by about \$57,000,000. If, however, the annual interest charges were prorated so that one-fourth had been paid during the first quarter, there would have been a deficit of approximately \$40,000,000. The total deficit, ordinary and extraordinary, amounted to \$237,000,000 as compared with \$682,000,000 for the same period last year.

Too much reliance, however, should not be placed upon these figures as indicating the trend for the year since the actual expenditures for emergency purposes were relatively small during this first quarter.

The budget situation at the close of the first third of the year, that is, October 31, does not on its face appear so favorable. During October, however, the budget was materially influenced by the heavy interest payments on the Fourth Liberty Loan and the fact that quarterly income tax payments did not fall within this month.

Receipts held up, amounting to \$927,000,000 as compared with approximately \$567,000,000 for the corresponding period of last year.

If interest charges and payments under the National Industrial Recovery Act are excluded, ordinary operating expenditures as officially reported were about 22 per cent less than they were for the corresponding period of last year.

Total ordinary expenditures for the first third of the year were about \$1,000,000,000 as compared with approximately \$1,200,000,000 last year. The

deficit from ordinary operating expenses was approximately \$82,000,000.

Emergency expenditures for the first third of the current year were approximately \$400,000,000, making a total deficit of \$482,000,000 as compared with nearly \$994,000,000 last year.

Federal Taxes

THE national Government has embarked upon a program unparalleled in extent. It has entered fields hitherto unknown to American practice and tradition. To meet the costs of this program, additional taxes were superimposed upon a tax structure already the most extensive this nation has ever known in peace time. In addition, large borrowings are contemplated and the large national debt will become still larger. A tax on liquor will be available, though these receipts are difficult to forecast. These are confusing factors in determining a federal revenue policy.

The Committee on Federal Taxation after considering these factors, has recommended these general revenue policies:

Large and continuous treasury deficits, regardless of whether they arise from extraordinary expenditures or from other causes, lead to such disastrous results that they cannot long be tolerated.

A prudent management of federal fiscal affairs to remove the threat of increased taxation, will expedite economic recovery and, by increasing taxable transactions and income, lead to increased governmental revenues.

There should be no revenue legislation in the forthcoming Congress designed to increase the total net volume of revenue; increased receipts arising from new legislation should be offset by reduction in existing taxes.

The taxing power of the federal Government should be limited to its only legitimate object, that of raising revenues necessary to support the functions of Government; any tax legislation designed to produce social readjustments is a perversion of the taxing power.

There should be no retroactive provisions in revenue laws that operate to the disadvantage of a taxpayer who has acted in good faith.

The Committee also recommended that receipts from liquor taxes that are not needed to replace the lapsed Recov-

ery Act taxes should be used to decrease taxes that retard business activity.

Capital gains and losses, according to the committee, should be ignored for income tax purposes unless a method more satisfactory than that now existing can be devised for the treatment of such gains and losses.

A coordinated program of taxation should be developed to avoid pyramiding of federal and state taxes.

Dividing the Money

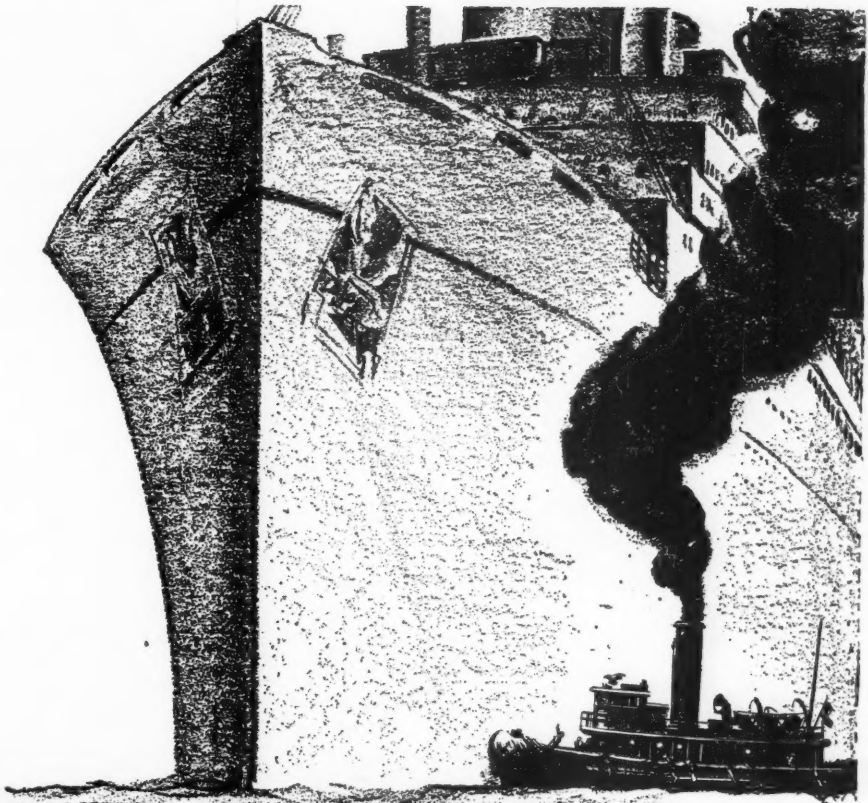
HOW'S the \$3,300,000,000 to be spent by the Public Works Administration to be divided? The Civic Development Department presents these figures:

Federal Projects	\$2,191,887,987
Highways (statutory)	400,000,000
Roads and Trails in Parks and Forests	50,000,000
Naval Construction	238,000,000
Army Housing	58,000,000
Flood Control—Rivers and Harbors	198,000,000
Power Projects (Grand Coulee, Boulder Canyon, Casper-Alcova, Bonneville, Owyhee)	90,000,000
Tennessee Valley Authority (statutory)	50,000,000
Civilian Conservation Corps (Work Relief in Forest Camps)	321,000,000
Civil Works Administration (Work Relief in Regions and Communities)	400,000,000
Farm Credit Administration (statutory)	100,000,000
Other Federal Projects	279,000,000
State and Local Projects	299,309,310
Housing Projects	173,247,958
Federal Housing Corporation (Slum Clearance)	100,000,000
19 Projects in 15 Cities	48,000,000
Subsistence Homesteads (statutory)	25,000,000
Railroad Projects	135,000,000
Total	\$2,799,445,255

The actual spending of this money is proceeding slowly. It is difficult to estimate the rate. It is probable that the average monthly expenditure for the next year will be about \$150,000,000 with a peak next spring and summer of possibly twice this monthly average.

The Tax Situation

THE Committee on State and Local Taxation and Expenditures reported the downward trend in the expenditures of state and local governments has continued. A year ago this committee estimated that about \$500,000,000 was



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Because of a modernized package, you've seen products brought down from a top shelf and featured in window and counter displays. You've seen trade apathy changed to action—and the

morale of the sales force revived. You've seen new products win their way to the top, and old ones fight their way back to the top—with the help of an appealing, convenient package that made news for dealer and consumer alike.

Within the past few years, the American Can Company has helped hundreds of manufacturers discover (and profit by) the force of modern packaging. Is it not likely that we might help you?

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When all values, even that of money, are in a state of active fluctuation, it becomes more important to protect the physical value of the plant, inventories or raw material. To fail to protect them properly from the hazard of fire is to make an unnecessary journey into the sea of uncertainty.

Watchmen, properly equipped with Watchmen's Clocks, are the first safeguard against fire. Nothing has ever been invented to equal the watchman's eye for detecting the smoldering spark or the tiny flickering flame—to put out the fire before the conflagration starts.

When your watchman is equipped with a Detex Watchman's Clock, you know each morning that he is making his rounds, on schedule. The record is all plain before you on the Detex Dial—complete and unalterable.

The Detex Watchclock Corporation is offering today the utmost value in watchmen's clocks—an experience now extending back 60 years, and covering today, 80,000 clocks in active use in 50,000 plants.

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being saved by state and local governments. Notwithstanding the cost of unemployment relief, indications are that additional economies have increased the saving to nearly a billion dollars.

"Public disapproval of high taxes, budget deficits and mounting debts has been forcibly expressed at the polls. Thousands of communities are more tax conscious than in a generation. Hundreds of tax committees and research agencies are striving for economy and efficiency in fiscal affairs. Our member organizations are in the forefront of this movement.

"There is, however, a continuing demand for more governmental spending, and pressure is mounting for a return to the pre-depression level of expenditures. Unless taxpayers are vigilant, the country may lose the marked gains it has made. Taxes still take from a fifth to a fourth of our national income. Business men and business organizations must continue their efforts for the development and adoption of sound public fiscal policies."

In some places only the beginnings of real economy have been made; in others budgets have been curtailed by blind slashing of expenditures. It is important that costs be reduced on a sound and permanent basis which will lead to the efficient performance of essential public functions.

A list of specific suggestions for attaining more economical and efficient local government was presented.

This Committee joined the Committee on Federal Taxation in recommending creation of "An agency . . . composed of representatives of the federal Government and of the states to develop a coordinated program of taxation designed to reduce the multiple taxation and to promote greater fairness to both taxing units and to taxpayers."

Delinquent Taxes

IN a special report on property-tax collection this Committee said:

"Basically, the bulk of present tax delinquency is a result of the depression. More immediate causes are banking difficulties, unemployment, reduced incomes of taxpayers, collapse of real estate developments, tax strikes, continuance of high pre-depression tax levies, and legislation relaxing the penalties for tax delinquency."

The remedies proposed are:

1. Adequate tax collection laws.
2. Machinery for tax collection.
3. Facilitation of tax payments.
4. Establishing public sentiment in favor of tax payments.
5. Reasonable levies.

Bankruptcy

REPEAL of the federal bankruptcy laws would probably increase the losses

of creditors, in the opinion of the U. S. Chamber's Committee on Bankruptcy which, in its report to the Chamber's Board of Directors, urged that:

"The subject of bankruptcy should continue to be dealt with comprehensively by federal rather than state law."

The Committee's other recommendations included:

Such changes should be made in the present laws as will encourage debtors to seek an equitable and fair adjustment of their affairs either out of court or with the sanction of the bankruptcy courts, while they possess assets sufficient to meet the greater portion of their debts. Also there should be such changes as will prevent undue obstruction by minority interests; expedite settlements and reduce expenses of administration.

Immediate steps should be taken to obtain enactment of appropriate legislation to permit reorganization of private corporations.

The courts should assume more direct responsibility and supervision in the administration of the bankruptcy laws and the powers and duties of bankruptcy officers should be strengthened and clarified.

The courts should take an active part in corporate reorganization proceedings, either directly or through officers directly responsible to the court, from the earliest practicable point until the final settlement.

The compensation of referees should be adequate without imposing an undue burden on creditors; and there should be no large increase in the number of referees.

Restrictions prohibiting the use of corporations or cooperative groups as receivers and trustees in proceedings under the bankruptcy jurisdiction of the Federal Government should be opposed.

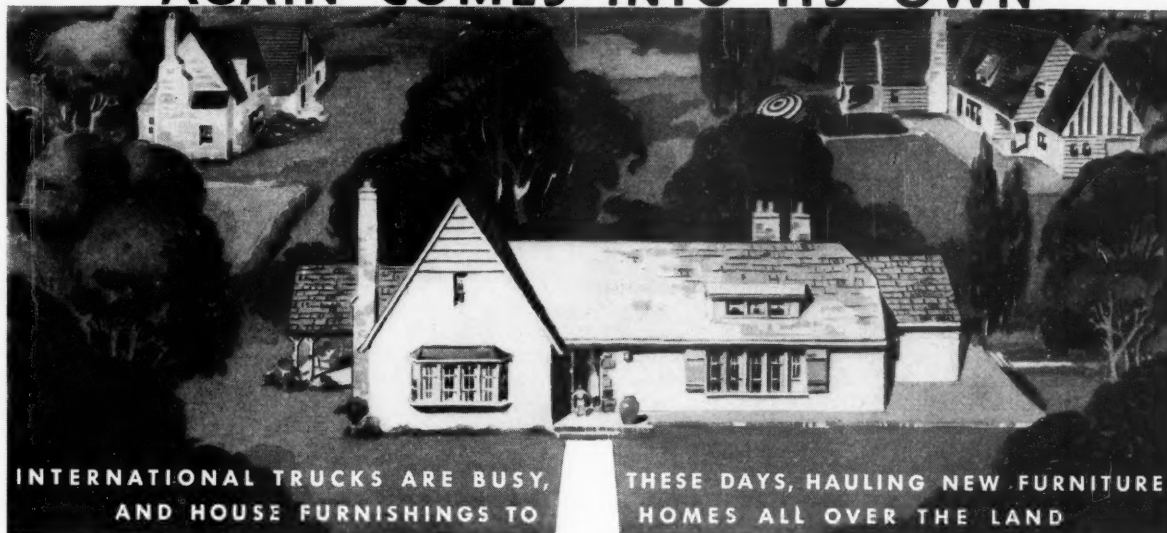
Turning its attention to municipal insolvencies, the Committee reiterated its earlier opinion opposing extension of the federal bankruptcy power to municipalities and urged further that:

Federal bankruptcy legislation to provide methods of dealing with municipalities in default should be opposed as undesirable and unsound; machinery for this purpose should be left to the constructive action of the several states.

NRA Results

FOR three months before the National Industrial Recovery Act became effective, general manufacturing activity had

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International Trucks should interest business men in all other lines — for regardless of the kind of hauling your business requires, there is an International Truck model that will do that particular job at less expense. Low in first cost — and lower in operating costs — International Trucks have performed so brilliantly in all lines of business that today International Harvester is a leader in this great industry. ☞ International chassis prices range from \$360 up, f. o. b. factory. Sizes from ½-ton to 7½-ton. ☞ Visit the International branch or dealer near you — see these remarkable motor truck values — and arrange for a demonstration on your own job.

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been increasing rapidly. For a short time after this measure was passed, the volume of industrial production continued to increase but by September, the last month for which complete statistics are available, the trend had been reversed.

In spite of this, the volume of production in September was nearly 45 per cent greater than the volume in March; manufacturing employment was 35 per cent greater than in March and factory pay rolls, 56 per cent higher.

Conjecture is rife as to whether this increase would have occurred without the Recovery Act. It seems reasonable to assume that the Act and subsequent developments have influenced recent changes in industrial activity. There is no doubt that changed mental outlook has been a dominant cause of business improvement.

Although it is conceivable that the volume of production between March and September might have been about the same without the Recovery Act, there is little doubt that some part of the increased manufacturing output during May, June, and July can be attributed to the prospect of enactment of this measure. It is also probable that the decline in manufacturing activity since August is due at least partially to the unfavorable public reaction to specific policies of the NRA and to the fact that the stimulus to business has been insufficient to sustain a further advance.

Volume of Business. The decline in industrial activity during August and September came, in large measure, in the industries in which expansion previously had been most rapid. This decline was also marked in industries in which processing taxes or codes had become effective recently.

A portion of the decline in output of codified industries during August and September undoubtedly can be attributed to the stepping up of production schedules and the placing of advance orders during the early spring and summer in anticipation of increased labor costs and higher selling prices.

Control of Production. Limitations of production and use of productive equipment were included in only eight of the codes for manufacturing industries which became effective before September 15.

These provisions have had the effect of redistributing the current volume of business to the advantage of companies having surplus productive equipment. Many companies previously operating at maximum capacity have been obliged to reduce employment, while their decreased volume has prevented them from obtaining reasonable profits.

On the other hand, companies possessing efficient equipment have an advantage over those depending upon excessive hours or low wages to offset their

lack of productive efficiency. Codes which require enterprises to refrain from selling their products below individual or average costs of production also tend to benefit the most efficient producers.

Foreign Competition. Some industries depending upon foreign markets as important outlets for their products have encountered competitive handicaps because of the increased labor costs resulting from code provisions. For this problem no remedy was embodied in the Recovery Act. Recommendations for preserving favorable competitive conditions for industries affected by the increase of imports or the decline in exports, occurring because of code operations, have already been formulated by the National Chamber's Foreign Commerce Department Committee.

Profitableness of Operation. Code provisions have increased production costs in virtually every manufacturing enterprise. Nevertheless, early reports of corporation earnings for the third quarter of 1933 show a pronounced tendency toward a return to a profitable basis. The combined net profits, less deficits, of 205 industrial corporations totalled \$129,576,000 in this period. This was an increase of nearly 50 per cent over second-quarter profits. Financial statements of the same companies for the first quarter of 1933 showed a net deficit of \$14,831,000, and for the third quarter of 1932, a deficit of \$11,583,000.

Size of Enterprises. There is considerable evidence that the disadvantages of code operation are less in large companies than in small ones. Because of their greater capital resources and borrowing power, large enterprises are in better position temporarily to incur increased production costs without raising selling prices.

Intersectional Competition. Wage differentials established in various codes to make allowances for differences in cost of living between large and small communities, or between various sections generally have not been sufficient to permit the maintenance of previously existing variations in labor costs. Consequently many enterprises previously enjoying advantages of location have been placed at a competitive disadvantage.

Labor Relations. Few companies have escaped the harmful effects of unwarranted labor agitation. In most enterprises the improvements in the standards of labor contemplated by the Recovery Act have not been fully realized because of the retardation of business activity directly attributable to labor disturbances instigated by trade union organizers.

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MINERAL TILE

Putting a Code to Work

(Continued from page 42)

actly as though it had two separate mills. The Authority says no, the Recovery Administration concurs, and a small town in the West raves as hundreds of jobless men walk sullenly home and threaten to tear down the Blue Eagle.

Another company has orders ahead to keep full force busy for a period at 60 hours running time a week.

"No!" says the Authority and the boss shuts down to the allocated hours with a vindictive blast in the newspapers, and workers and citizens unite in a howl of indignation. Mayors and prominent citizens hasten to Washington with appeals to the NRA.

Where cooperation hurts

IT ISN'T in human nature for men and citizens to assuage their own sorrows with the knowledge that their loss is another's gain. Spreading work meets with unanimous applause until giving the other fellow some takes butter away from you. Then it is discovered that, while the idea may be noble in spirit, it is devilish in practice.

Then there are the ever-present chiselers. The number of minimal wage earners shows a remarkable tendency to increase in certain mills.

And we must not overlook complaining employees, many of them righteous complainants from their point of view.

"Wherein the recovery," they ask, "in a program that puts up hourly wages and reduces weekly pay?"

Middle-aged and old men complain that, with production fixed, smart employers are replacing them with young men, with greater productivity.

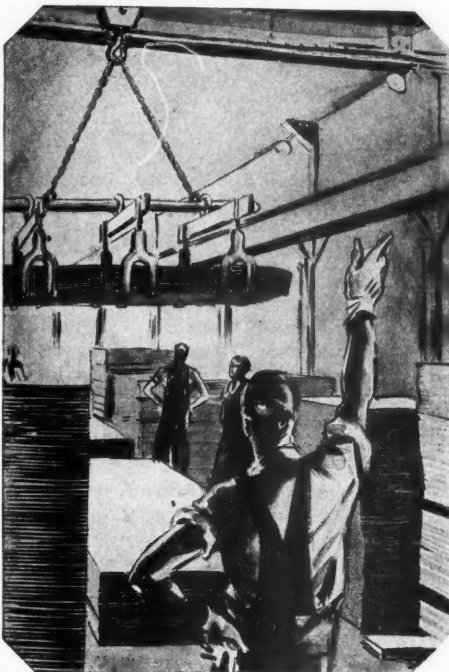
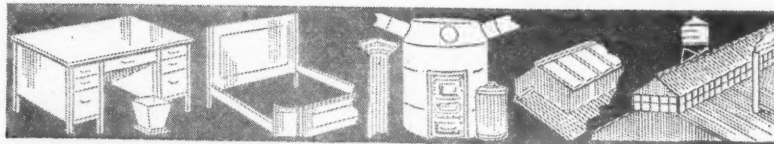
"Short working days, short working weeks, and more pay an hour are fine," say some employees, "but whereas we could once work long enough to pay our bills now we can't."

A problem in the South

IN THE southern woodlands, of course, the race question comes up. The immutable rule of the South is that the white man must be paid more than the colored man. The code can make no such distinction. Before it all men are alike. Result: High minimum wages look good to the whites and out the negroes go. The South is presented with a social problem.

The lumber trade is not perpendicularly organized to any great extent. Marked up cost-protection prices at the mills naturally get a liberal percentage

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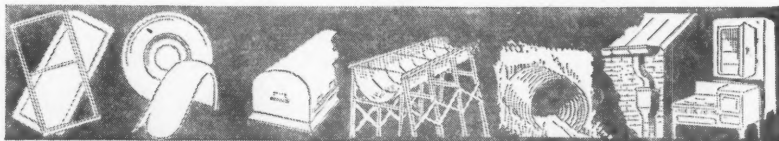
AMERICAN SHEET AND TIN PLATE COMPANY, Pittsburgh, Pa.

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¶ The Santa Fe has eliminated the surcharge in Pullmans—reducing Pullman cost 33-1/3%.

¶ Living costs in California and Arizona are still extremely low.

Consult your Santa Fe agent. He can show you startling savings in your trip budget—more than enough to pay for some famous Santa Fe side-trip over the Indian detour, or to Grand Canyon; or for extra play days at destination.

California

and southern Arizona—sunny, alluring, infinitely varied—are the perfect winter playgrounds. Fine Santa Fe daily trains serve both.

Tri-weekly thru Phoenix Pullman, again this winter, on THE CHIEF. Daily Phoenix and Grand Canyon Pullmans on the Grand Canyon Limited. And always, on the Santa Fe, that famous FRED HARVEY dining service.

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price mark-up by the retailer—who has his own code. The consumers rage and buyers threaten. Orders fall, but the mills run on. Competing materials crowd in and the low-cost mills protest that the lumber industry is sacrificing itself to make a holiday for competitors. Some producers defy the Authority and announce that they will run their own business. But how meek they are when the Authority policeman, with the NRA in his wake, swings his night stick!

Individual initiative is weakened

AS ALWAYS happens when the state steps in to help industry, initiative is weakened. With code expense assessments collectible by law, mills favor reduction of normal association dues to offset code costs, and trade promotion and research are trimmed. The lumber trade associations became so absorbed in administering an essentially restrictive code that, for the moment, they have sidetracked interest in collective work for expanded business and wider and better markets.

Before the code, price cutting was the enemy of voluntary cooperation; since the code, price stabilization paralyzes common effort outside the code. That attitude, however, is bound to pass because, with price competition firmly bottomed, the only outlet for individual initiative and ambition is refinement of product, improvement of processes and bettered merchandising.

I cite these things not to disparage the Recovery Act or its administration, but to show the immense and sometimes unforeseen difficulties of the "new deal." Our industry is paying the price of the "new deal." But it is on the whole glad to pay it. Whenever we weaken a little, we remember the last three years—in our industry, ten years—and we ask ourselves:

"Are you ready to go back to the old, mad, cut-throat system?"

And we emphatically answer "No."

The disciplining of a characteristically "my-own-business" industry to the group and social point of view is often an exasperating and discouraging task. But it has, even now, its offsetting incidents. Many of our people are finding solid satisfaction in the work of realizing the objective of a great basic industry nationally administered within and without. Actually, as a group we have greater real freedom in respect to directing "our own business" than before.

The Recovery Act has, it is true, imposed a constitution upon us; but, by and large, that constitution was written by a constituent assembly of the industry. Under it we find that we can enact trade laws, where formerly we could only pass futile resolutions.

Grievous individual sacrifices have not been in vain. Reports at hand from 1,302 employers show the number of

employees increased from July (the last full month before the code) through September by nearly ten per cent, while the total of pay rolls went up 19 per cent. At the same time the total number of man hours worked fell off more than 20 per cent.

So, relatively, the employments and pay rolls increased 50 per cent. This is a great gain.

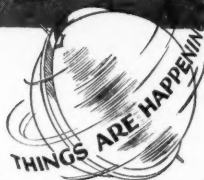
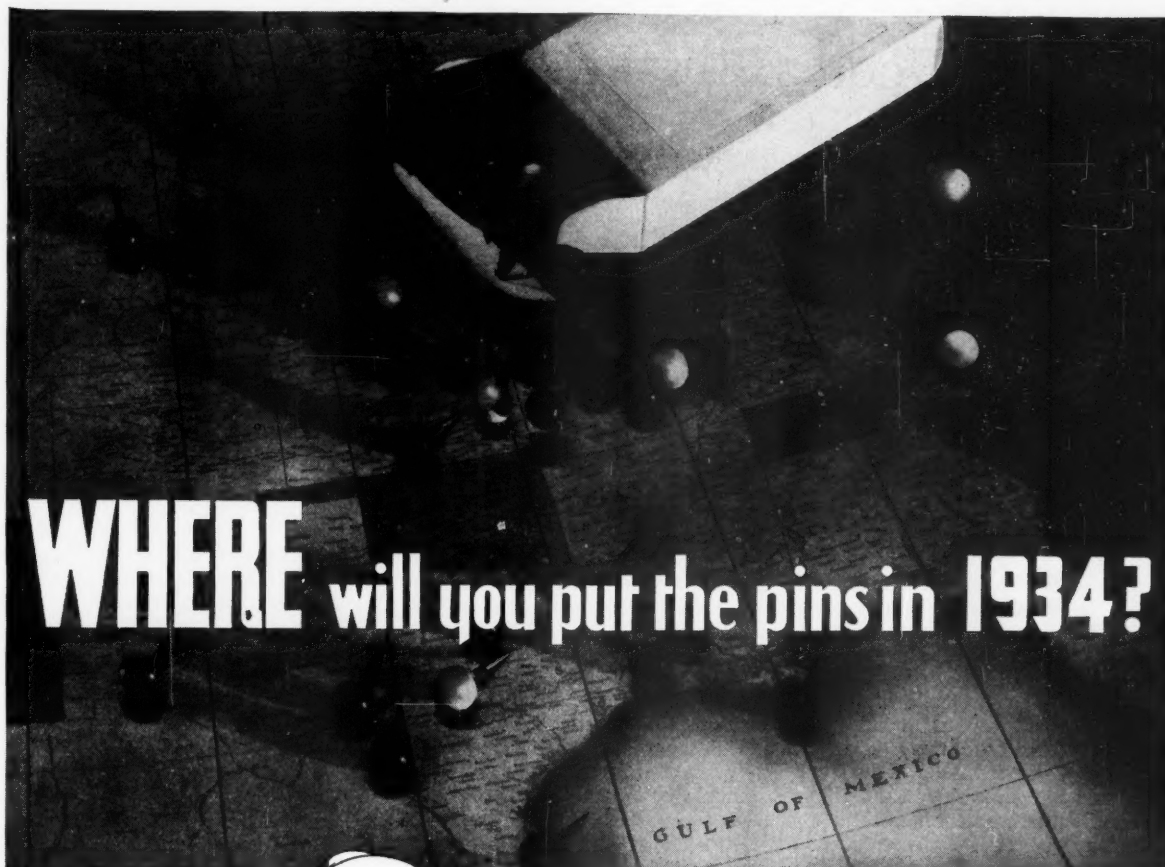
Data are not yet at hand to indicate whether employers as a group had a gain in this period or not, but it is likely that they did not, except in morale. The code went into effect just after the steep July peak in demand, production and prices, and it is likely that the first months of the lumber code have been costly to the mills in a money sense. Certain it is that gains in employment and pay rolls have already been accompanied by a decline of nearly one-fifth in the volume of lumber production. It is hard, of course, to see profits

THE editor is back from a business trip with a note book filled with ideas and comments jotted down in many places. Some of the thoughts are his own, some are those of other men. All of them seemed worth passing along. So, beginning on page 59, we are printing a part of the note book.

recede after being briefly tasted, but the lumber industry will gladly pay the price if it will bring stability.

Taking our experience to date, pro and con, we conclude that the principle of self-government of the industry under governmental supervision and authority can be successfully applied. If the experiment should fail, we have faint hope for a better future. The old destructive competition will return, the slaughter of the forests to beat the tax collector, the march toward bankruptcy will be resumed, and this industry will go plunging on to destruction.

It is perhaps true that we voice our aspirations at present more than our experience. In another year the whole plan of ordered industry in a capitalistic economy may be found unworkable. But now I am sure that the spirit, and the purpose, of the lumber industry is to seek the success of the lumber code and through the code its contribution to the great national recovery undertaking.



No "loss-items", unified trade practices, revisions in transportation and finance . . . yes, and a host of named and unnamed factors are changing the whole complexion of business. Territories and methods must be changed to meet the new conditions. Some old "best-sellers" are dropped and new numbers appear on the list of profitable products.

Yes . . . all business is changing. And Modern Management is

taking full advantage of the present situation. Because it knows its markets, it is in position to set up sound distribution . . . where and when profitable. Because it knows its costs, desirable business is accepted and undesirable business is refused. Expenses are budgeted to current trends.

Modern Management requires Powers Punched Card Methods to keep abreast of these fast-moving business factors.

After performing routine accounting functions quicker and at less cost, Powers arranges the results in the form of reports compared and analyzed. These figures are current . . . day to day figures. They show management where to put their pins. We will gladly send to any major or department executive a complimentary copy of our new book "MANAGEMENT METHODS . . . IN THE MODERN MANNER".



Banks, Chain Stores, Public Utilities, Federal, State and Municipal Governments, Railroads and Insurance Companies, Industrial and Commercial Enterprises use Powers

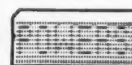
Another Product of Remington Rand

POWERS

(PUNCHED CARD)

ACCOUNTING MACHINES

BUFFALO, NEW YORK



Listen in to "March of Time" every Friday 8:30 P. M. Eastern Standard Time, Columbia Network.

When writing to REMINGTON RAND please mention Nation's Business

The Food Bill's Purposes and Perils

(Continued from page 32)

agents, might ban secret formulae, give rise to many practical difficulties, impose penalties disproportionate to offenses, handicap advertising, make possible organization of a vast political army of "supervisors" whose salaries industry would have to pay, and so on.

How the bill could be used to abolish legitimate business can be quickly illustrated. Take the newly revived distilling and liquor business. Liquor comes under the bill, since the measure defines food as "all substances used for, or entering into the composition of, food, drink, confectionery or condiments for man or other animals."

The bill further provides that a food "shall be deemed to be adulterated if"—among other things—"it is or may be dangerous to health." Finally, the bill bars from interstate commerce any adulterated food, drug or cosmetic.

Liquor is thus a food, within the meaning of the act. Since under certain circumstances it conceivably "may be" dangerous to health it might therefore be termed adulterated. *Ergo*, it could be barred from interstate commerce.

Laxative breakfast foods, candies and other medicated foods are others of many products which might be barred under the above provisions, or by invoking further definitions of adulterated food.

Effects already felt

THESE are only a few legitimate industries the bill might affect. Indeed, mere discussion of the bill has already proved costly to at least one business concern, a company which markets a nationally advertised mascara for darkening the eyebrows. So graphic was Professor Tugwell in describing the horrors of a certain poisonous eyelash beautifier—but which he failed to name—in one of his recent news-reel appearances and so fearful was this company of the possible effects on its own business that it reportedly spent \$50,000 in advertising in efforts to repair the damage.

The bill's broad definition of drugs also opens up wide avenues for oppression as well as for benefits. Drugs, it states, include among other things "all substances and preparations, other than food, and all devices intended to affect the structure or any function of the body of man or other animals." A drug shall be deemed adulterated, it goes on, "if it is or may be dangerous to health under the conditions of use prescribed in the labelling thereof."

Corsets, foundation garments, arch supports, eye-glasses, laxatives, even

dog muzzles and bits and blinders for horses might, therefore, be deemed a drug and, further, an adulterated drug and so be barred. Still further avenues are opened by the bill's definition of cosmetics—"all substances and preparations intended for cleaning, or altering the appearances of, or promoting the attractiveness of, the person."

Any ingenious reader—or bureaucrat—can think of dozens of legitimate products which plainly fall within the scope of these broad provisions.

Ambiguity in the bill

ONE of the bill's ambiguous phrases of which certain opponents complain is that relating to dissemination of false advertising. The owner of an advertising medium or agency is exempt from prosecution for such dissemination "if, on request of an officer or employee duly designated by the Secretary," he tells who contracted for the advertisement.

This, say these opponents, permits the Department to prosecute the advertising medium by the simple expedient of *not* requesting the information. Assistant Secretary Tugwell has said that "while the language may be open to this interpretation, that is not the intent. We shall see to it that the text is so corrected as to remove all ambiguity."

Framers of the bill, it is pointed out, can take their confessed ambiguity much more lightly than could framers of ambiguous advertising. The latter could be given up to a year's imprisonment and \$1,000 fine for disseminating an advertisement which "is untrue, or by ambiguity or inference creates a misleading impression" regarding a food, drug or cosmetic. A second offense could be punished by two years' imprisonment and \$3,000 fine.

This and other provisions relating to advertising are so broad and indefinite that such a phrase as "Ice-cold drinks" could be held "false advertising" and jail sentences imposed for disseminating it. Few drinks are actually that cold.

The dictatorial powers given to the Secretary and his agents under the bill have been only lightly touched upon in the provisions cited. The further powers given by the bill are so numerous that only a few can be treated here.

The Secretary is given practically blanket authority, opponents say, to extend the bill's provisions as far as he deems necessary.

The permit provision, opponents declare, gives the Secretary life and death powers over certain businesses and deprives the manufacturer of recourse to

the courts. Proponents, on the other hand, assert that "in every case the Secretary's regulations are subject to court review." This is a matter for the lawyers to thresh out, but the language of the bill seems to show that honest manufacturers could be subjected to endless persecution through mere whims.

A case in point is the bill's definition that adulteration of food occurs "if any valuable constituent has been in whole or in part abstracted therefrom." This, of course, is intended to stop deception and fraud, but under the language, the Government need not show intent to deceive or defraud. White flour, butter-milk, meats from which the fat has been trimmed and dozens of other wholesome foods thus might conceivably be termed adulterated and so barred.

The complaint that the bill might ban secret formulae is based on the barring from interstate commerce of misbranded foods and drugs, they being, with certain exceptions, "those whose labels do not declare the common or usual name of each ingredient in order of predominance by weight." The Secretary is also authorized to require any further information on the label which he deems necessary to protect the public from deception. These provisions, it is pointed out, might be used to require complete formula disclosures, with positive benefits to manufacturers' competitors and little or no benefit to consumers.

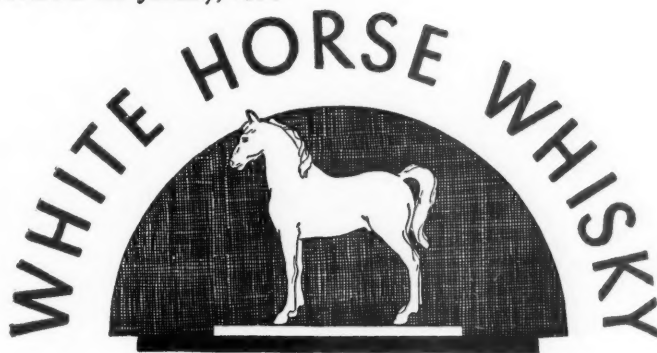
There is the case of one food manufacturer, for instance, who spent several years and \$20,000 testing out more than 900 formulas for spaghetti sauce and finally produced one he deemed worth marketing. Yet, under this bill, he might have to disclose that costly formula to competitors. The consumer, however, would like the sauce no whit better or worse for all the data on the container.

Practical difficulties, penalties, and advertising handicaps under the bill have been sketched sufficiently to illustrate a few of the perils which opponents perceive in it.

An army of inspectors

COMING to the objection that the bill might be used to maintain an army of political job-holders at industry's expense, and disregarding the question of whether it would be so used, let us see how this result could be brought about.

It might easily be accomplished under Section 22 of the bill, which provides for a "voluntary inspection service." This empowers the Secretary, upon application of a food, drug or cosmetic manufacturer, to "designate supervisory



WHITE HORSE begs leave to introduce itself once more to its American friends, after a legal absence of more than fourteen years. This distinguished REAL OLD Scotch Whisky now returns to you under the official sanction of the United States government, and with our guarantee that every drop is distilled and bottled in Scotland. Older and better than ever, White Horse Scotch is known by experts everywhere as "*the equivalent of a fine liqueur.*"

White Horse Distillers, LTD.
GLASGOW AND LONDON
Established 1742

A further identification of the genuine real old White Horse Scotch Whisky is the new clear bottle as illustrated here





Q If 918 men will buy 1,378 motor vehicles
how many will 256,286 men buy?

A The arithmetical answer is 384,428 motor
vehicles.



But YOU KNOW they won't!

THE right answer is "a lot"—no one knows
how many.

However, 918 *Nation's Business* subscribers intend to buy 1,378 passenger cars and trucks in 1934. That we KNOW. Their intentions are expressed over their own signatures in confidential letters to MERLE THORPE, editor of *Nation's Business*.

They will buy 6,991 truck tires and 9,777 passenger car tires.

If we project these figures against our total circulation of 256,286 business men, the *Nation's Business* audience will buy in 1934:

132,499 motor trucks
251,929 passenger cars
1,950,336 passenger car tires
2,729,445 truck tires

But that is 21% of the total passenger car production of 1932; 54% of the total motor truck production. You just know it can't be right! So cut it in two. Discount it any way you wish—still there is a market here out of all proportion to the mere numerical strength of the *Nation's Business* audience.

A market large enough, concentrated enough, prom-

ising enough to be worth any advertiser's attention.

Actually, a market of more than a million men, for *Nation's Business* has an average of four readers for every one of its 256,286 subscribers.

In Illinois Bell Telephone Company, for instance, 59 subscribers route their copies each month to 607 readers. In Colgate-Palmolive-Peet, two subscriptions reach 20 readers. Some subscribers keep *Nation's Business* for themselves alone—but the average is four readers for each copy.

Men who buy motor cars, motor trucks and tires, also buy oils and gasoline.

They buy steam shovels and shaving creams; office supplies and optical goods; bonds, buildings and beer; communication systems and clothing; factory sites and fishing tackle; grinding machines, group insurance and golf clubs; traveling cranes, traveling bags and tobacco.

They buy for themselves, their firms and their families everything that can be sold to alert executives of higher-than-average incomes. You can reach all of them in other ways, certainly. But not so directly and at such low cost as through *Nation's Business*.

Don't close any 1934 advertising list without getting the complete *Nation's Business* story.



NATION'S BUSINESS • WASHINGTON

inspectors to examine and inspect all premises, equipment, methods, materials, containers, and labels" the manufacturer uses. If this examination shows that the product conforms to requirements, the manufacturer may then mark it so as to indicate such conformity. This would be a sort of Seal of Approval, and for this the manufacturer would pay fees "in such amount as to cover the cost of the supervisory inspection and examination, together with the reasonable costs of administration."

Propaganda can be disseminated, under the bill, and the Department could build up such a strong demand for these markings on food that manufacturers might feel impelled to obtain them. Or the Secretary or his agents might merely need to hint to a manufacturer that he had better "apply" for this "voluntary inspection service" if he desired to remain in business. An army of "supervisory inspectors," all paid by fees exacted from the manufacturers, could thus be organized.

Fear of bureaucratic persecution

THESE are only a few of the dozens of objections which thoughtful and reputable manufacturers and organizations have raised against the bill as framed. Few food manufacturers, at least, are willing to be quoted in opposition to the bill. The reason, it has been said, is that, should the bill become law, they fear endless resentful persecution by a bureaucracy that they had criticised. This fear in itself seems to evidence little faith in the assurances of the Department of Agriculture officials of their disinterestedness and that legitimate business will not be harmed.

"With certain exceptions, we are for the bill," say many who would be affected by it. There seems to be no general opposition to the bill's purposes nor denials that there are evils which should be wiped out. To that extent, proponents and opponents agree. Indeed, the desirable purposes of the bill have enlisted for it the support of many well-meaning citizens who, from a superficial knowledge of those purposes and the assurances of the bill's framers, see the measure as the lamb which will lead the way to 100 per cent purity in foods, drugs, cosmetics and their advertising. Opponents, however, having taken time to study and analyze the bill provision by provision, see no lamb but rather a wolf in sheep's attire.

They declare, to use another figure, that in its zeal to wipe out the admitted evils, the Department has grabbed up a shotgun instead of a rifle. The bill offers a weapon, they say, which not only will bring down the crooks but will pepper a lot of innocent bystanders. It needs drastic redrafting, they contend, to the end that innocents among producers, as well as consumers, be protected.

A NEW DEAL FOR SHIPPERS!



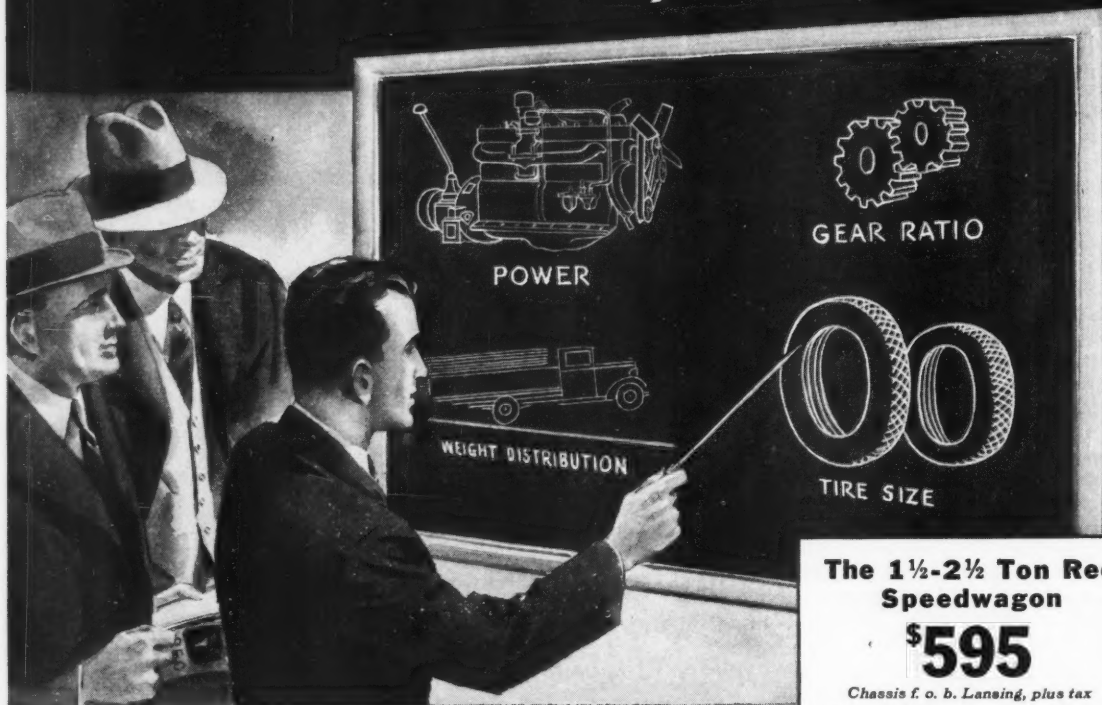
- Direct from shipper's door to consignee's door... that's how far this newest freight service extends on the Erie Railroad System. Erie handles the whole job... you have only one charge to pay, one dependable transportation company to deal with. On any less-than-carload shipment, a truck makes the pick-up at your door and transfers the freight to the railroad. At destination another truck takes it direct to your consignee. This complete service means faster handling, savings in transportation costs, greater convenience and dependability for you.
- ASK YOUR ERIE AGENT... for further details about this important innovation in Erie freight service.



Punctual and Dependable Freight Service to all Industries

When writing to ERIE RAILROAD please mention Nation's Business

If these factors are right
YOUR TRUCK COSTS
will be right!



● It takes a good buyer to see all the pitfalls in truck selection.

Many a truck that seems right on the basis of claims may be entirely wrong on the basis of facts.

Reo has put its whole building and selling program on a FACT basis.

To begin with, Reo trucks are properly built and properly *balanced*. Each unit is designed to do your job according to its true Ability Rating (a rating system exclusive with Reo).

There is no "doctoring" to make up for deficiencies. Power, gear ratio, load distribution, tire sizes—all the factors that mean everything to long life



and low cost service—are *balanced* for maximum results. One feature is not emphasized at the expense of another.

Reo goes still farther. It trains its truck salesmen to analyze hauling problems accurately and intelligently; to omit claims and stick to facts; and to—

PROVE to the buyer with the copyrighted Reo Truck Performance Gauge that his recommendations are *correct*.

Reo Speedwagons and Trucks range from 1½ to 6 Tons. Price Range—\$595-\$2,595. 34 wheelbases, 6's-8's.

Tractor-Trailer units from 15,000 to 32,000 pounds, gross. All prices chassis f. o. b. Lansing, plus tax.

REO MOTOR CAR COMPANY
 LANSING, MICHIGAN

The 1½-2½ Ton Reo Speedwagon

\$595

Chassis f. o. b. Lansing, plus tax

Powered with the Famous 6-cyl. Reo Gold Crown Engine

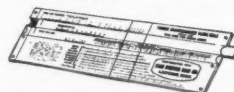
Check this great truck value against anything in the market. A real truck, with a real 6 cyl. truck engine and real truck parts throughout.

Reo trucks are *balanced* to give exceptional service in ALL phases of hauling.

BUILT RIGHT—Only a truck with a GOLD CROWN ENGINE—BIG FOUR-WHEEL INTERNAL EXPANDING HYDRAULIC BRAKES—BIG, THICK, WIDE-FLANGED FRAME—CORRECT TIRE EQUIPMENT—REO LONG LIFE AND ECONOMY can be expected to stand the usage and deliver the miles you get from a Reo.

SOLD RIGHT—Reo salesmen are trained to confine themselves to facts—facts as disclosed by the Performance Gauge and the Reo system of Ability Rating.

AND THEY LAST—There are Reo Trucks in operation today that have seen steady service for 12 and 14 years. And the 1934 Reo line is better than ever before!



WRITE REO—or call in the Reo dealer. The Performance Gauge check-up will be applied to your problem without any obligation at all.

Lines from an Editor's Note-Book

AN EDITOR is constantly on the alert for new ideas. During recent weeks I have visited a dozen states, talked with scores of business men, workers, farmers, never overlooking the ubiquitous taxi driver. Here are some of the entries in my note-book.

—The Editor

• • • EVERYONE bewildered and perplexed. They all ask what, when, and how. And think Washington has the answer. Too much dependence on political action, not enough attention on the part of the individual to the job at hand.

• • • I HAVE discovered the real forgotten man, the Siamese twin, Demand. His brother, Supply, has stolen the lime-light. Old-time effort on stimulating honest Demand is lacking. We all pray for business activity. Exchange of goods, services and labor. Such exchanges in 1928 say, amounted to 80 billions. But it took at least eight billion to create, nourish and develop that demand. Today, that horsepower is reduced to one-third or possibly one-fourth.

Suggestion for article: A simple, elementary analysis of "business activity." It reduces itself to a *trade* between two individuals. You sit opposite me. You describe something you have or your firm has and try to arouse my active desire for it. You urge me to trade something I own for it. I resist. I hate to change the character of my resources. Human nature has been that way since the beginning. Cautious. My home, my \$1,000 in bank, my automobile, my monthly salary. And you ask me to give up my automobile, part of my money and commit myself to pay monthly in order to get your new automobile. That changes the nature of my resources, so I must think it over.

Yet, upon that decision of mine hangs the acceleration of national business activity.

What, ultimately, causes me to take the plunge and exchange? One motive, no more. Profit. Not necessarily money profit. It may be a convenience profit—an electric refrigerator; or a health profit—a vacation trip to Florida; or a

social profit—a new overcoat; but a profit, else why the hazard of replacing present resources with others?

What stimulates a favorable decision? So many of our recovery efforts are artificial and do not touch the motivating impulse at all. On the contrary, they only deaden and frighten. Why am I cold to the suggestion and exhortation for me to be a patriot and "Buy Now"? It scares me into greater caution. Perhaps that is why "Buy at Home" campaigns have universally failed. True, the mass emotion is sometimes stirred into manifestation, but the reaction sets in and there is a debit balance. No, stimulation of the motive to trade must come from "selling," where, in America, it has learned to play on all the profit strings of human nature—need, use, acquisition, vanity, convenience, vogue, love of beauty, quality, price, service, and a hundred others.

Fear is the greatest resistance to trade. Fear of what the immediate future may hold. One's job, new models, lower prices. Note: General hesitation, fearing new rules, because of the assembly of the Congress.

• • • A THOUGHT to conjure with: How much insurance would be bought in 1934 if the 300,000 insurance salesmen were given a holiday? And yet insurance is highly useful and necessary. But would we walk up to the counter and ask for it?

• • • DISCUSSED my forgotten man "Demand" with G— at Detroit and B— at Chicago (two of the best sales executives in America). The discussion developed the incident of a Chicago packer, who, when informed that his toilet soap was not moving off the dealers' shelves in Texas and the Southwest because of an overstocked market, said:

"That's easy. Stop shipments for 90 days."

The curtailment of supply did the trick.

But the raisin growers of California used a different method. Faced with a surplus, they increased the *per capita* consumption from one pound to three pounds in three years by the promotion of Demand. Which is the better way?

During the War great supplies of cellulose, a by-product in the making of

explosives, were accumulated. By telling people about the many beautiful and useful articles made from cellulose, manufacturers were able to dispose of the entire supply.

My conclusion is that the most important people in the world today are not those who can produce, but those who can sell.

• • • PROFESSOR M— tried to explain the plan to go back to prices of 1926. Looking through the bound volume of NATION'S BUSINESS for 1926 I find throughout the pages the hieroglyphics, H. C. of L. I recall the agitation, nobody satisfied.

Likewise, in the boom years, there was loud grumbling of "profitless prosperity." Will there ever be a period of content?

• • • WHY all the pother about consumers' representation on codes, policing and arbitration? Who are consumers, anyway? I should like to look over the membership files of the Consumer's League. Is there a consumer who does not produce something, some service? To demand lower meat or milk prices for Consumer Brown is to take it out of Railroader Brown. B— says the League is made up mostly of women, who don't recognize their husbands as producers. President Roosevelt is a consumer, but he produces a service which producers pay for.

• • • DITTO middlemen. Government economists want the middleman eliminated. Or the cost of his services cut down. Morning paper says farmers must get more for milk, consumers pay less. Doesn't make sense. The middleman is likewise a consumer. Furthermore, if we eliminate all middlemen—there are several million of them—what bread-and-butter dispositions shall we make of these millions? Add to the unemployment rolls? Put them on the dole? Or return them to the land to eke out an existence there? And what would this do to farm surpluses?

Of course, the agitation to eliminate middlemen is a mare's nest. You and I would be the first to raise Cain. We would not give up telephoning our grocer for a delivery of pork chops; nor would we eliminate him by going to a public warehouse, taking down a loin

*To the man who likes
to try his luck*

VENTURE what you will, but first protect those things you hold most precious—your home, your wife's comfort, your children's future.

You can do it safely, surely, confidently, with life insurance.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU

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Please send me information about life insurance for protection.

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your ability to handle new
problems, new conditions

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GIVES information you need for a practical solution in any situation, everyday or emergency, you may meet. Covers entire range of accounting and related business activities—not only principles, working procedures, systems, forms, audits, etc., but executive controls, analytical methods, use of reports and statements, business law. Constantly useful, reliable guidance; 33 sections complete, in the Second Edition of the famous

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Nothing else like it at any price. In dealing with any question, you can select, not merely usual, but best method for your purposes. You get best opinion on all angles—banking, legal, financial, as well as accounting. Editorial Board of over 70 experts.

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Please send me, without charge, the 32-page sample section of the Accountants' Handbook with full information about this book and its low cost.

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of pork and cutting our own chops. Nor would we carry that loin of pork from the packing-house to our locality; nor would we butcher the hog; nor would we buy the hog on the farm and, incidentally, pay the farmer in advance.

The only sure way to eliminate the middleman is for the middleman himself to fail to give us the service for which we are willing to pay, that is, if we have a free market-place. When chain stores were evolved, reducing prices to consumers, we find the states penalizing this cheaper form of distribution.

• • • IN THE morning paper a government department announces that 1,000,000 children have been taken out of factories and returned to schools, and on another page quotes a woman's club lecturer, "who has returned to Washington full of enthusiasm for the results from the legislation which has freed 3,000,000 children from the yoke of toil."

Where have these children been working? The Census for 1930 was able to find only 673,000 of 15 years and under gainfully employed, of whom 470,000 were on the farms, 51,000 in domestic service and 17,000 in clerical work. In manufacturing and mechanical trades there were 69,000. Only 236 by house-to-house canvass were found in textile factories and mills. It will be observed that there is nearly as much child labor employed by women in their homes as employed by manufacturers and the mechanical trades.

C—in Milwaukee suggested ironically that the public has been led to believe that business men hide behind trees in school yards waiting their chance to grab little girls in pigtailed and rush them to work on factory looms.

• • • THE Huey Long school of statistics is again quoting the hoary canard that "two per cent of the people own 90 per cent of the wealth." The good Father in Detroit continually reminds us of this deplorable situation. Yet, it seems susceptible of proof that quite the contrary is the fact; that this is not only the wealthiest country in the world, but that the wealth is most widely distributed.

We hear a great deal about mortgaged farms. But little is said about the 60-odd per cent of the farms which are unencumbered, and the 55 per cent of the urban homes which are likewise unencumbered. Eliminating duplications, there are between 12 and 15 millions of us who own securities of one kind or another—stocks, bonds, mortgages. And the number of us who own life insurance policies—65 millions—whose equities are all invested in property of one kind or another, is further evidence of the wide distribution of wealth. It is safe to say that 75 per cent of our people are propertied people, in the sense that they own something.

ple are propertied people, in the sense that they own something.

• • • A MAN told me today of a farmer who was describing to him the part he played in stopping a foreclosure sale in Nebraska. The farmer said:

"We didn't let them sell Old Bill out. We pulled the sheriff down off his box."

My visitor asked the farmer about Old Bill's mortgage and found it was \$2,000 and that he had received the loan from the X Mortgage Company. Then he asked the farmer if he had any life insurance.

"Why, of course. You know I have a \$2,000 policy with the Blank Insurance Company!"

"That's interesting," said my friend to the farmer. "The Blank Insurance Company has as its agent in this State the X Mortgage Company. I wonder if by any chance the Insurance Company lent your \$2,000 to Old Bill."

My friend said the farmer's jaw dropped clear down to his belt.

The source of most of our troubles is our failure to realize the simple ramifications of property interest. There are few who are solely creditors or solely debtors. Most everyone owes something and has something owed to him.

• • • WITH the Nebraska farmer's story in mind, I listened to an ardent advocate of inflation, and finally had the opportunity of asking him a question which has long puzzled me. Any inflation, to be just and honest by all our citizens, should not change the relationships of those citizens by arbitrary action. It should not reward the thrifless at the expense of the thrifty. Then, inflation should leave each of us just where we are today, except that our money counters, representing what we have, might be doubled or trebled. If this is true, why inflation?

My friend finally had to admit that inflation would change the relationships of citizen to citizen; that some would be poorer and, as he expressed it, some less poor. To my way of thinking, that is not only pernicious but dishonest.

• • • J—tells of an incident at his dentist's. The dentist spoke approvingly from time to time of the many governmental projects in the business field. Today, when he congratulated Knoxville on its municipal lighting plant, with aid from the Federal Government, my friend said he took his own time out "at \$10 an hour" to ask:

"Suppose a United States Senator gave out a statement that the dentists were charging outrageously for their services; that millions of children and poor people needed help for their teeth; that bad teeth were not only painful but induced disease, and that something should be done.

"Suppose, a week later a Women's

Organization should adopt resolutions deploring the situation, and demanding that something should be done. Later, a Dental Consumers' League should be set up to carry on the agitation, which would be iterated and reiterated until Congress should provide federal relief.

"Suppose, across the street there should be erected a 12-story building by the Government, housing 250 federal dentists, with the announcement that work would be done for \$1 an hour—"

By this time the usual situation in a dentist's office was reversed. The dentist's mouth was wide open with astonishment.

"You don't think—!" he began.

"Yes, I do think. You are approving the erection of a \$1,000,000,000 public building to produce and distribute 25 per cent of the kilowatts now consumed. Yet your electric light bill is not \$10 an hour, probably it is cheaper than the papers and magazines you supply in your outer office."

My friend said he'd bet the dentist discussed Muscle Shoals with his wife that evening—and in a different vein.

• • • IMPUDENT THOUGHT! Why not add a Section to the Tugwell Food and Drug Bill to pass upon political pills? Nothing is more harmful to our well-being than fake political panaceas—cosmetics and sassafras tea notwithstanding. A Division of Investigation and Approval of Legislative Nostrums could be kept busy and in the interest of the General Welfare. If the proposed D.I.A.L.N. had had the power to pass upon the false curative claims of the Eighteenth Amendment, what deleterious effects the American patient would have escaped! And the panacea of rail valuation that was to have cured somebody of something. And so on, and so on. What worth-while opportunities for service!

But the D.I.A.L.N. needs a counterpart in an added section to the Securities Act. Here should be a Division of Permits for the Issuance of Political Prospectuses. First under review would come campaign platforms. Before such a one could be promulgated it would be necessary for the proponents to submit a brief of past performance. How many could get by the single statement as to "reduction of taxes." And before stock in another Farm Relief plan could be offered to the public, there would have to be a review of past promises and performance.

What happened to the \$500,000,000 the late lamented Farm Board collected from its stockholders by its glittering prospectuses?

Just as a starter, submit to the D.I.A.L.N. the Tugwell bill itself; to the D.P.I.P.P. the proposal in today's press of the Speaker of the House to the effect that there will be higher appropriations but less taxation. It might be

shown that the latter "omits to state a material fact necessary to make the statement, in the light of the circumstances under which it was made, not misleading," and the former "is or may be dangerous to health" of the body politic.

The principle underlying these impertinent suggestions is that bureaucratic apothecaries ought to take some of their own medicine.

• • • NEWS NOTE: Mayor O'Brien, of New York City, will receive "retirement pay" of \$15,000 annually as long as he lives. The pension bill of New York City is \$29,000,000 annually.

Comment: There has never been a visible shortage in the number of citizens willing to sacrifice their comfort and private opportunity to serve in public office. Why, then, the need for making political life more attractive?

• • • "THE vomit of capitalism," says a cabinet official. "Unregenerate adherents of the old order," says the *New Republic*. Such phrases are popular. They meet the eye daily and the ear nightly. And there is none so poor to do the "old order" reverence.

Talked with McC— (an old neighbor in small middle western town where I was "raised"). What has the old order done for that section?

Houses now wired for electricity. Thirty-five years ago I carried an oil can to the store for kerosene, with a potato on the spout. Returning, found mother cleaning lamps, trimming wicks, and polishing chimneys. The old order changed that. The only telephone in the town then was to hello across lots from the porch. Now scores of telephones. Only two from the community were able to attend the Chicago Fair, 30 went to Chicago this year. (Incidentally, one-ninth of the entire population of the United States passed through the turnstiles at the Century of Progress.)

Mud roads. Oatmeal from a barrel—with bugs. Spinning wheels—now in antique shops. Shoes, little better than clogs. Stereoscope for winter evenings, with occasional snappy entertainment of the kaleidoscope at the banker's home. Once a year "Uncle Tom's Cabin," "Ten Nights in a Bar-Room," or glory be! a magic lantern show. No radio, no movies, no autos. Now provided by the Old O.

I delivered milk in a bucket with a dipper; a chance nickel was hoarded and spent, penny by penny, for a sweet cracker, a slice of bologna and an all-day sucker. My father broke his ankle and suffered for 15 months because of poor medical treatment—the best there was. Today, the Old Order has provided a colored cook better medical facilities than Grover Cleveland had.

Schooling, \$50 expended in 1900 per student, today \$200. Lunch boxes, legs,



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a slate and sponge and five books; now replaced by the Old Order with a school restaurant, free buses, and library. And the early winter morning, the fires to be made and the unforgettable trip south—southwest through the garden. No, not to feed the stock and milk the cow—those chores came later. No grapefruit or orange on the breakfast table, only the blue haze of sausage smoke in the warm kitchen. Two or three favored citizens boasted a \$500 life-insurance policy—today 65 million of us, totalling 110 billions.

The O. O. has assimilated seven million women workers since 1900; supporting in gainful occupations 11 million today.

Our industrial system is far from ideal, but give the O. O. credit for easy necessities, greater conveniences, and even luxuries, undreamed of 25 years ago, more "things" which after all constitute standards of living.

Yes, the Old Order Changeth, and if to give thought to the change it wrought is to be unregenerate, why, make the most of it.—M. T.

Faith in Money Is Essential

(Continued from page 26)

checks and credit was not as extensive as in the United States, there was an earlier recognition of the relative insufficiency of their gold and of an increase in its price with an appreciation that the volume of gold in their coin should be changed. In only two nations has the gold position of currency remained constant since the War—Switzerland and Holland.

In England the sterling price of gold has risen 50 per cent. In Canada and South Africa, the rise has been slightly greater. In Sweden and Norway it has been about 67 per cent and in Denmark, New Zealand and Australia not far from 90 per cent. In France, Italy, and Austria the change in the gold content of the coin has meant a reduction of as much as 75 per cent. This was an aftermath of monetary inflation, however, due to the failure of the Governments of those nations to attain balanced budgets and their undertaking to pay their bills by the printing of money.

I am not here discussing the greater use of silver so much desired by many of my western friends. I have no hesitancy in saying, however, that the larger use of silver should be seriously considered, especially if it can be brought about as a result of joint action by the great commercial nations of the world.

The Board of Directors of the Chamber of Commerce of the United States in its monetary resolution passed November 18, and reiterating the declarations of the Chamber's annual meeting in May, while urging a return to the gold standard, did not speak for or against the gold standard of 23.22 fine grains to the dollar. It is far too realistic a body to undertake now to identify the proper par point. But it did request the President to declare a policy to determine a fixed gold content for the dollar at the earliest possible time and it did urge that any thought of a varying gold content be abandoned.

Our Board asserts that all the measures taken, both by the Government and our citizens, to increase employment and to restore the purchasing power

of the dollar to the 1926 level depend upon supplying a basis for faith and confidence in our currency. It feels that the gold content of the dollar should now be scientifically determined and established, and thereafter maintained at that point, whether the old par point or a new one, until long experience has shown that further change is essential. For one hundred years the gold content of the dollar has remained unchanged. During that period, America grew from a relatively small agricultural country to the greatest industrial nation in the world and one factor was the faith and confidence which our own and other people had in our currency.

It is all wrong, however, to assume that the gold content of our coin is the only factor in determining the price level. Many factors, including our production or under-production of important commodities, a balanced national budget, a reasonable freedom for private business to move forward with the hope of fair profits, the maximum possible reduction of taxes, the removal of the handicaps to foreign commerce, and a stabilization of our currency with the currencies of the other great commercial nations are of the greatest importance in increasing business activity and thus in making possible reasonable prices for the products of the farm and factories and the payment of good wages to our working population.

In this statement I have not discussed the follies of monetary inflation. They are so numerous as hardly to need any restatement by me, and I have not alluded to them, but I have felt that many people have failed to realize the importance of a healthy relationship, on the one hand, between the volume of monetary gold and the volume and velocity of our credit and currency and, on the other hand, the volume of business on a satisfactory price level.

I heartily agree with the position taken by the Chamber that the United States should maintain the integrity of its currency. This should be done by promptly establishing a gold standard properly determined on the basis of ex-

isting facts, and with the further declaration that a varying standard, or the prospect of it, will lead to confusion and the destruction of confidence.

The national program which I personally favor can be briefly stated. It contains the following items:

1. Promptly establish a fixed and not a fluctuating gold standard, revaluing the dollar, if necessary.

2. Endeavor promptly to stabilize our currency with the currencies of Great Britain and the other important commercial nations and maintain such a stabilization by joint action of our Federal Reserve System cooperating with the central banks of England and France, and other important commercial nations.

3. Change the legislation for the so-called permanent plan for insurance of bank deposits by making the liability of banks reasonable and definite, with coverage for all deposits up to \$2,500—a provision which will protect more than 95 per cent of the depositors.

4. Amend the Securities Act, retaining all necessary provisions, for complete disclosure but relieving from punitive damages directors who have honestly endeavored to perform the duty of disclosure.

5. Remove some of the burdens which the National Recovery Act is now placing upon small businesses.

6. Let it be recognized by all that the important thing is to restore prompt-

ly on private account the construction and other capital-goods industries; let employers and employees realize that annual income and not hourly rate is the important factor, and that for a guarantee of reasonably continuous work lower scales for some construction wages are well justified as a temporary measure to induce the entry of capital into the construction field.

Two great sections of industry, among others, await development—transportation and home construction. The light-weight, high-speed, air-conditioned train and car promise to revolutionize both railroad and trolley transportation. Many millions of dollars and many many thousands of men can thus be employed. In the field of home construction 40 millions of our population are living in crowded, obsolete, or ill-designed homes, and many other homes require modernization. A rough estimate would indicate that more than 40 billions of dollars will be required properly to rehouse and decentralize our population and supply the service required for modern homes. This means work for many millions of men for many years.

Such a vast program for the remodeling of our homes and our transportation systems can only be carried out with a stable currency and sound economic conditions. These are important reasons for urging this relatively simple economic program.

Tax Leaks Which Cost Millions

(Continued from page 18)

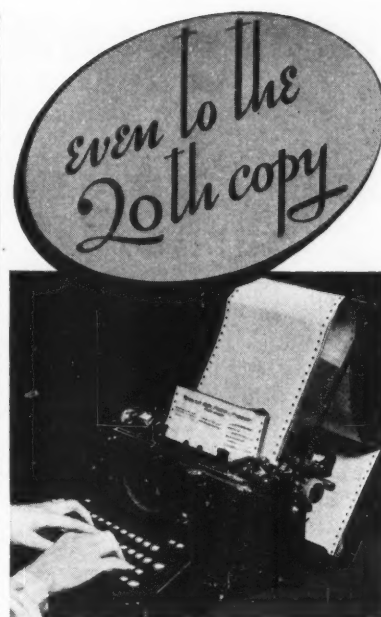
weight of advantage in tax avoidance lies with corporations, the individual taxpayer finds it convenient and profitable to resort to corporate organizations for tax avoidance purposes. Out of this practice has grown up a large number of personal holding or personal investment corporations. These are not operating corporations in the ordinary sense but simply "incorporations of the taxpayer's pocketbook."

There has also grown up a practice of tax avoidance under the provisions of the Revenue Act relating to the reorganization of corporations, whereby through mergers, transfers of stock or assets from one corporation to another, recapitalizations or change in identity, form or place of organization, corporations are enabled to postpone indefinitely recognition of realized gains. It is frequently possible under such reorganizations to step up the tax base upon which gains are computed thus greatly diminishing the taxable income, but in most instances the disadvantage to the Federal Treasury lies in postponing recognition of gains to an indefinite and indeterminate future date. Under such provisions of the revenue act, the corporation tax-

payer may defer for all time the payment of taxes or may select such time as it chooses at which to make a return of its realized gain or net loss.

It is assumed that these provisions were incorporated in the revenue act on the theory of facilitating readjustment by corporations of their business structure with the view of greater possible advantage to them and consequently larger incomes upon which to pay taxes to the Federal Government. This was no doubt the objective which Congress had in mind in enacting such provisions. However, it is perhaps safe to say that 90 per cent of the reorganizations of corporations, since the enactment of these provisions of the Revenue Act, have been effected with the purpose in view of avoiding or indefinitely postponing the payment of taxes. It is impossible to estimate the revenues which have been lost to the Treasury through this form of tax avoidance but manifestly it runs into the hundreds of millions of dollars.

Another provision of the Revenue Act under which large amounts of possible revenue are lost to the Treasury is that providing for consolidated returns of an affiliated group of corporations con-



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nected through stock ownership with a common parent corporation. An analysis of the Statistics of Income, Treasury Department, for the taxable year 1930 discloses that the total taxable income of corporations filing consolidated returns was \$3,326,799,784 while the aggregate net income shown by all consolidated returns was only \$1,807,280,493. The total taxable income of corporations filing separate returns was \$2,944,132,677, while all the corporate separate returns taken together showed a deficit of \$413,942,886. It also disclosed that the tax collected from consolidated returns was \$398,284,195 and the tax collected from separate returns was \$313,419,705.

A calculation will show that the consolidated groups paid 55.95 per cent of all corporate tax and had, in the aggregate, \$1,807,280,493 net income exclusive of tax-exempt income and that corporations filing separate returns paid 44.05 per cent of all corporate tax while, in the aggregate, such corporations had no net income but a deficit of \$413,942,886, exclusive of tax-exempt income.

Off-setting losses against gains

IT IS apparent from this analysis that the corporations in the affiliated groups making consolidated returns have a decided advantage in off-setting losses against gains which is not available to corporations making separate returns. The provision for consolidated returns of affiliated corporations had its origin in the purpose of Congress to protect the excess profits tax by forcing affiliated groups of corporations into the higher brackets under that tax. Corporations in such affiliated groups left to their own volition would file separate returns to escape such higher brackets so long as the excess profits tax was imposed but now that the excess profits tax no longer exists the affiliated corporations find it to their advantage to file consolidated returns which afford the opportunity of off-setting the net losses of one or more corporations in the group against the net gains of others in the same group. This gives to the entire affiliated group the benefit of deducting the total losses from the total gains of the group thereby materially reducing the tax paid by the affiliated corporations. In all such affiliated groups there is a parent corporation—a holding company—into whose coffers the incomes of all the subsidiary corporations flow and upon the net income of which only one corporate tax is levied.

One of the most troublesome features of the Revenue Act is the provision relating to capital gains and losses. It is the big disturbing factor in the plan of a stabilized level of revenue. Under existing and prior revenue acts the capital gains tax causes the revenues to overflow the Treasury in prosperous times, and in years of depression capital

losses wipe out taxable income to the point of Treasury bankruptcy. It is contended by many students of taxation that the category of capital gains and losses should be eliminated entirely as in Great Britain and Canada. It is highly improbable that such action will be taken but certainly restrictive legislation should be had to prevent the disastrous consequences to the Treasury from the wide swing back and forth between capital gains in one year and capital losses in another.

The attention of the country has been focused for some months on tax avoidance by the partners in certain large financial partnerships and also upon various schemes employed by officials of leading banking houses either to avoid or minimize the payment of taxes on large incomes realized. In the latter class of cases resort was had to the organizations of personal holding companies through which the financial and investment transactions of such officials were carried on to avoid the payment of the higher surtax rates applicable to incomes of individuals. In some instances also such holding corporations were organized in Canada to get beyond the taxing jurisdiction of the United States. This enabled the domestic holding corporation to sell to the Canadian holding corporation securities at a price above the cost thereof, thus stepping up the tax base. Then the Canadian corporation would sell the same securities back to a domestic corporation at the price paid therefor thus avoiding the capital gains tax in the United States. Canada has no tax on capital gains.

Another scheme of tax avoidance employed in this connection was to organize a Canadian corporation as a personal holding company and to transfer to it stocks and bonds or other securities in exchange for capital stock, thus avoiding a capital gains tax. These tax avoidance gaps were at least partly blocked in the revenue act of 1932 by a provision that a foreign corporation should not be recognized as a corporation for the purpose of our revenue act relative to capital gains and losses.

Regarding tax avoidance by partners in large financial and banking partnerships as disclosed by recent investigation, attention is directed to the fact that such avoidance occurred largely through deducting apportioned partnership net losses from the ordinary incomes of the partners, thereby almost if not entirely wiping out their taxable income base. There was never any authority in law for such deduction. The practice of allowing such deduction grew up solely as an administrative matter without legislative sanction, and has cost the Treasury dearly in revenue. Congress definitely closed this administrative tax avoidance gap last session by a provision in the National Industrial Recovery Act affirmatively prohibiting the de-

duction of partnership net losses from the incomes of the partners for taxation purposes.

It appears, however, that additional legislation may be necessary to completely stop tax avoidance by banking and investment partnerships.

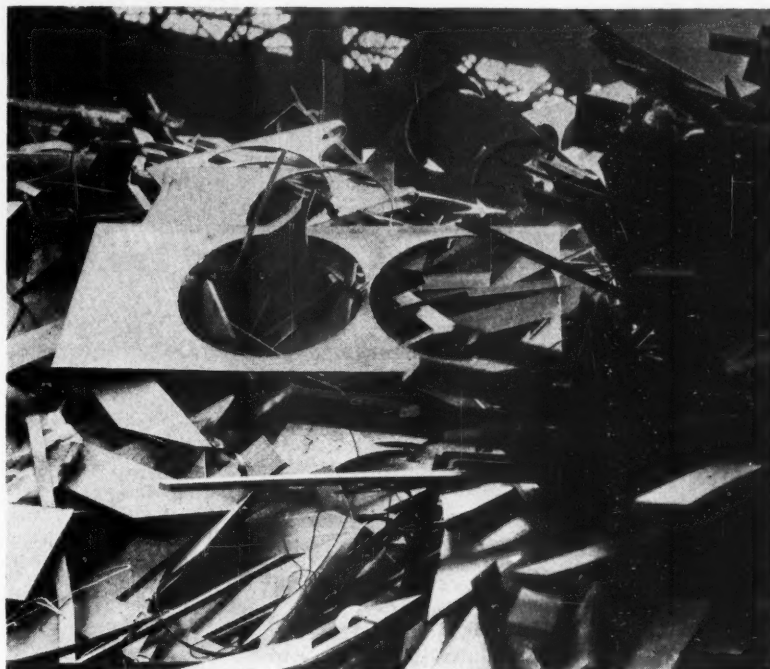
I have not undertaken to discuss in this article all of the loopholes in the Revenue Act through which incomes are escaping taxation. A complete discussion of the subject would require analysis of hundreds of provisions of the revenue statute, many of which are well worthy of mention in connection with those herein specifically discussed. Nor have I touched the general subject of deductions from gross incomes which the present Revenue Act permits.

To one studying the Revenue Act closely, the wonder is that, after the allowance of all such deductions from the gross income, there remains any base at all upon which to levy a tax. These deductions and the entire administrative provisions of the Revenue Act should be critically scrutinized with the broad view of eliminating as far as possible all tax avoidance loopholes in the Act.

There can and should be brought into the Treasury hundreds of millions of dollars yearly through such corrective legislation on the basis of the present tax rates. It is obvious that this additional revenue would aid greatly in relieving the distressed condition of the Federal Treasury. The repeal of the Eighteenth Amendment has made available a large amount of revenue from liquor taxes. The revenue from this source will probably approximate \$400,000,000 the first year. Under a provision in the National Industrial Recovery Act the repeal of the Eighteenth Amendment automatically repealed the capital stock tax, the dividends tax, the excess profits tax and the one-half cent a gallon tax on gasoline, which were estimated to yield \$220,000,000 a year for the payment of interest on the bonds issued to finance the recovery program and to provide a sinking fund for the retirement of such bonds at maturity. This fund, after the repeal of the Eighteenth Amendment will be made up from revenues from taxes on alcoholic liquors. There will, however, be a large balance of liquor tax revenues to go into the general Treasury receipts. With the large savings to the Treasury which it is expected may be realized through the stopping of tax loopholes plus the additional revenues to come from liquor tax it is hoped that many if not all of the annoying and burdensome emergency taxes may be repealed.

One of the first of these taxes to be repealed is the stamp tax on bank checks. The Treasury budget estimates will, of course, determine whether or to what extent such emergency taxes can be eliminated.


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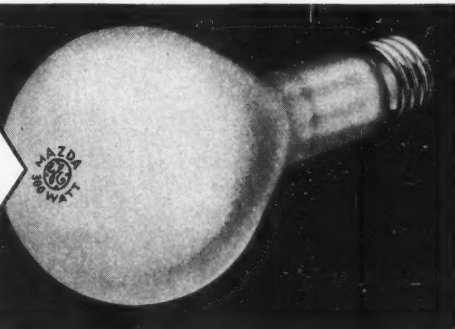
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What Bankers and Investors Discuss

★ THESE are not the banker's happiest days. When he gets through reading his morning paper and finding out what folks are saying about him, he can turn to the question of whether or not he shall sell preferred stock or capital notes to the Government. If he's settled that problem he can wonder what will be the effect on the soundest bank of the guarantee of deposits. If his is a state bank he can wonder if he shall go in or stay in the Federal Reserve system and enjoy the dubious benefits of deposit insurance. If his is a national bank he can wonder whether or not to try for a state charter and see what'll happen.

And all the time he can puzzle over the problem of how to make ends meet with an increasing competition in his field by the Government itself.

Uncle Sam as bank partner

"TO JOIN or not to join" is the beginning of the banker's soliloquy. But somewhere in it he injects the question "to sell or not to sell." Shall he accept the offer of the Reconstruction Finance Corporation to buy preferred stock from national banks and capital notes from state banks or shall he go it alone?

By December 9 nearly 1300 banks had joined the procession and had added to capital by calling on Government for amounts from \$10,000 to \$50,000,000 and calling for \$425,000,000 in all.

Large sums at that time were \$50,000,000 preferred stock to the Continental Commercial National of Chicago, the \$50,000,000 stock of the National City of New York and \$50,000,000 notes to the Savings Bank & Trust Co. of New York, and \$25,000,000 notes to the Manufacturers Trust Company, New York and \$20,000,000 to the Guaranty Trust Co.

National City preferred stock

THERE was keen interest in the letter sent to stockholders of the National City Bank outlining the terms of the agreement by which \$50,000,000 of preferred stock is to be sold to the Reconstruction Finance Corporation or to present shareholders.

The provisions in regard to retirement of the preferred stock were of interest since if there were grounds for the fear of government control, then the bankers wondered how they could escape from that control.

After payment of preferred stock divi-

dends, 40 per cent of the profits go to a preferred stock retiring fund though only five per cent of the stock need be retired in any one year. Retirement may be by tenders from holders or by calling pro rata for the sale of preferred stock to the bank by all holders.

It wouldn't seem impossible for a money-making bank to rid itself of the R. F. C. stockholdings.

Preferred stockholders

IF A bank fails to make two semi-annual dividend payments on the preferred stock or to meet other requirements, then the power of preferred stockholders increases. One contingency is this:

"If . . . the fair value of the assets as determined by the Comptroller of the Currency shall be less than an amount equal to all of its liabilities including all capital stock outstanding. . . ."

If these things happen, the holders of a majority of the preferred stock have power over the compensation of directors, officers, or employees, may discharge any such employees and must give their consent to any purchase or lease of real estate. Moreover, in the event of default, "the holders of preferred stock . . . shall vote twice the number of votes to which the holders of common stock are entitled."

The banker's dilemma

BANKERS are very cautious in discussing for publication the Government's offer and their attitude towards it. "We don't want to sell any preferred stock, we don't need more capital, but we may have to," was the way an officer of one of our largest banks summed up his feelings.

Banks are necessarily hesitant in appearing to be in opposition to any proposal of the federal Government. After all, Uncle Sam is a powerful old gentleman and a suggestion from him is pretty nearly a command, but if the said old gentleman is invited to become a stockholder in a bank, to what extent will he want to run the bank?

It is recorded that Esau "sold his birthright unto Jacob" for bread and a pottage of lentils. It is also recorded that Esau was faint and that after he ate he rose up and went his way. Perhaps some bankers are afraid of trading their birthright for bread and pottage which they don't really need.

To insure or not to insure

THE Bankers' Trust Company has been taking its stockholders into its confidence. S. Sloan Colt has written to them to say that before next July it must reach a decision as to whether to stay in the Federal Reserve system and participate in the permanent bank insurance plans.

Mr. Colt agrees with the Association of Reserve City Bankers that banks should join in the temporary plan which lasts but six months and under which "banks are subject only to limited assessments and those joining the temporary fund assume no obligation to join the permanent fund."

The case is different as to the permanent plan, says Mr. Colt, and adds:

"If a bank joins this plan the stockholders' funds are subject to unlimited assessments, to make good losses of depositors in banks which may be closed in the future in any part of the country. The banks which are subject to this unlimited liability have no control over the losses which they must assume."

The Bankers Trust Company, if it withdrew from the Federal Reserve system, would set an interesting precedent. How would its depositors feel? Would they be inclined to slip away to banks in the reserve system with deposits guaranteed or would they regard the decision to withdraw as a sign of strength? Would absence from the Federal Reserve system alter its type of business?

Large banks and small

THE situation in the large centers of population and industry might be different from that in a small community. Depositors accustomed to borrow and lend largely might continue to lay more stress on the reputation of the bank and the character of its officers than on any government guarantee. It is hard, however, to imagine two banks in a small town, one with deposits guaranteed and the other outside the guarantee without also imagining that the guaranteed bank would wean away business from the other.

The future of our banks

OVER in Brooklyn the other day, a small but solvent bank, the National Exchange Bank & Trust Company, decided to fold up and quit, pay off its depositors and other liabilities and allot



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To serve customers efficiently, wherever located, the Bank's official staff is organized so that the requirements of a particular business, and conditions in a particular territory, are constantly being studied by a given group of officers.

We invite consideration of our facilities by executives of companies that may desire additional banking association, and shall be pleased to discuss their credit requirements with them.

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the rest to the stockholders. One reason the president gave in making the proposal to the stockholders was that the Federal Deposit Guarantee Fund put too great a risk on the soundest banks.

That wasn't the only reason: The President asserted that it was almost impossible for a bank to make any money these days when banks have an "unnecessary surplus of cash" when interest rates are low, and when the public is turning towards large banks. "Many," said the banker, "have voiced the opinion that a small bank with a limited capital cannot hope to make a success in this great metropolitan area." An interesting suggestion as to the future of our banks.

Making use of our savings

SAVINGS in this country, outside of postal savings, dropped from a peak of \$28,500,000,000 in 1930 to \$21,500,000,000 in mid-year of 1933. The causes are plain. Money was put aside for a rainy day and the rain came. The wonder is that so many men and women, nearly 40,000,000 out of 53,000,000 were able to hold on to any part of their savings.

A part of the loss in savings can be accounted for by deliberate hoarding, part by a shift to postal savings and part by losses in closed or restricted banks.

Old companies can't sell

THERE are signs that the Securities Act may be amended in some fashion or other at this session of Congress. Mr. Roosevelt has asked Henry Bruere, president of the Bowery Savings Bank, and now on an indefinite tour of duty in the government service, to look into the need of changes in the Securities Act. From the White House have come suggestions that the Act needs amending.

The Act is like the prohibition experiment, "noble in purpose." No one wants to see fraudulent securities sold; everyone feels that a buyer of securities should have all possible information about what he's buying. But these purposes are not being accomplished by the existing Act. It is not too much to say that it is easier to sell a new and a doubtful security under the law than it is to sell the securities of a seasoned, well established industry. It needs only a reading of the list of registered securities to strengthen this impression. Gold mines, distilleries, breweries, their stocks are offered to the public. They are new with no vast accumulation of records to be put into the application for registration. What United States Steel or American Telephone & Telegraph would have to gather together if either were to issue new securities it is difficult to imagine.



Henry Miller is wondering how to divide *his first* **PAY CHECK**

OFFICES IN 96 CITIES

Illinois

Alton
Aurora
Bloomington
Champaign
Chicago
Cicero
Decatur
Freeport
Galesburg
Joliet
Moline
Oak Park
Peoria
Rockford
Springfield
Waukegan

Indiana

East Chicago
Evansville
Gary
Hammond
Indianapolis
Michigan City
South Bend

Iowa

Davenport
Des Moines

Maryland

Baltimore

Massachusetts

Boston
Springfield
Worcester

Michigan

Battle Creek
Detroit
Flint
Grand Rapids
Highland Park
Jackson
Kalamazoo
Lansing
Muskegon
Port Huron
Saginaw

Missouri

Kansas City
St. Joseph
St. Louis

New Jersey

Camden
Jersey City

Newark
Paterson
Trenton

New York

Albany
Binghamton
Brooklyn
Buffalo
Flushing
Fordham
Hempstead
Jamaica
New York
Niagara Falls
Rochester
Syracuse
Utica

Ohio

Canton
Cincinnati
Columbus

Pennsylvania

Allentown
Altoona
Chester
Easton
Erie
Johnstown
Lancaster
McKeesport
New Castle
Norristown
Philadelphia
Pittsburgh
Reading
Scranton
Wilkes-Barre
York

Rhode Island

Pawtucket
Providence

Wisconsin

Appleton
Beloit
Eau Claire
Fond du Lac
Green Bay
Kenosha
La Crosse
Madison
Milwaukee
Oshkosh
Racine
Sheboygan
Superior
Wausau

LUCKY FELLOW! He has a job—a pay envelope every week! Lucky Fellow? Henry is not so sure. He is glad to have a job but Henry can't see how to spread out his pay in a way to satisfy his creditors, buy food for the family, pay carfare and keep him going until next pay day.

Several million Henry Millers have gone back to work—most of them with this same perplexing problem. They can't solve it alone. But it is simple with the help which these families, as going concerns, have a right to command.

Many a Henry Miller and his family are being refinanced by a Household loan . . . enabling them to consolidate and pay their debts . . . helping them budget their income . . . re-establishing their self-respect . . . making better employees and citizens of them.

For many years, Household has devoted its abilities and experience to the task of supplying the consumer with needed cash to meet emergencies and opportunities . . . cash at the lowest possible cost consistent with sound business policy.

Business men know a retail price must cover operating costs plus a reasonable profit. No amount of efficiency can reduce the price of retail loans such as Household offers to the level of wholesale loans made by banks. However, when methods are devised which permit renting the use of money to families at rates lower than the $2\frac{1}{2}$ to $3\frac{1}{2}\%$ a month now charged on unpaid balances, Household will be found using such methods.

HOUSEHOLD FINANCE CORPORATION

Headquarters: Palmolive Building, Chicago, Illinois

**MONEY MANAGEMENT
FOR HOUSEHOLDS . . .**



a helpful booklet in budgeting the family income, leading to the happiness of financial security, is offered without charge to your employees and customers. Mail or telephone their names to our nearest office.

One of a series, "This Is the Associated System."

Spirit of '33

Among Associated Employees

The 15,000 Associated employees include linemen, meter readers, stenographers, service men, accountants. During the depression they have taken pay cuts. In these respects they are not much different from other utilities employees. But in responsiveness and willingness to cooperate they are unusual.

New Business Secured. Voluntarily, all employees worked together to find new electric and gas business. During the past 12 months these efforts have resulted in the sale of \$2,808,000 of appliances, which will use \$813,000 of gas and electricity annually.

Securities Distributed. During the spring of 1932, at a time when financial markets of the country were crippled, the Associated System was confronted with heavy refinancing. Associated employees went out and sold \$6,200,000 of debenture bonds. This achievement was of vital importance in protecting the investments



of the quarter million Associated security holders.

It is this spirit among workers which will help the nation win its war against depression.

Associated Gas & Electric System

61 Broadway
New York



★ ★ ★ ★ ★ ★ ★ ★

How the World War Caused the Depression

ECONOMISTS assert that the War was the major cause. It forced the nations off the gold standard. When they sought to return, the scramble for gold depressed prices to a point which made it impossible to produce at a profit. Remember, the War's direct cost was \$240,000,000 per day. What has the Depression cost?

How to stop War? Peace machinery exists—why doesn't it function better? Mary Woolley, of our own Board, returning from Geneva said, "We must have moral disarmament—must mould public opinion." We are doing it through advertising, as advocated by Bruce Barton in "Let's Advertise this Hell." (Send dime for reprint.) Our full-page ads are reaching millions. Write us for information.

WORLD PEACEWAYS

Hotel Roosevelt, New York City

★ ★ ★ ★ ★ ★ ★ ★

Are Stocks Still a Buy?

Write for this
report—gratis

Babson's Reports

and the famous

BABSONCHART

Div. 62-66, Babson Park, Mass.

Insure and Speed Up PROSPERITY

For many months, personal competition will be tremendous. Employers—up against new problems, fighting for survival and profits—will be able to pick and choose. Naturally they will prefer the trained man—the man who has special ability. If you want to speed up your prosperity and insure your share in the business pick-up, you must prepare yourself. And your first step is to get the facts about a proven training program. Check your subject below, write your name and address in the margin, and mail this coupon today.

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| <input type="checkbox"/> Salesmanship | <input type="checkbox"/> Executive Management |
| <input type="checkbox"/> Traffic Management | <input type="checkbox"/> Commercial Law |
| <input type="checkbox"/> Industrial Management | <input type="checkbox"/> Business Correspondence |
| <input type="checkbox"/> Personnel Management | <input type="checkbox"/> Business English |

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Dept. 1374-R CHICAGO

Reprints . . .

of any article in Nation's Business can be furnished at cost in quantities of 100 or more. Write:

Nation's Business : Washington

Problems of the Utilities Yardstick

(Continued from page 15)

Columbia, and St. Lawrence Rivers to determine the fair cost of the service now rendered the public? How excessive actually is this heavy burden "resting upon the common people," when weighed by the monthly bill for the domestic electric current? In a word, is the asserted need for a yardstick sufficient reason for the huge expenditures authorized with this prime purpose uppermost in mind? These are fair questions from the national viewpoint and incidentally raise the issue of relativity in the household budget.

As recently reported by the Edison Electric Institute, the average monthly bill for domestic electric service the country over is now \$2.77 or about nine cents a day. This is at the average rate of 5.51 cents a kilowatt-hour, or less than the federal tax on a package of cigarettes. And speaking of cigarettes, the *per capita* sales are now about four packages a month, as compared with the *per capita* electricity consumption of about seven kilowatt-hours, so that it costs considerably more to keep the country's smokes going than its home lights burning. However, no militant defender of the family budget has suggested a cigarette yardstick.

Or, to consider other items in the household budget: some of those who are nonsmokers may have the newspaper habit, and if they add up the month's expenditures for printer's ink and paper, the total will equal, if not exceed, the family electric bill. So, too, the bottle of milk delivered to the average family costs more than that same family pays for the two kilowatt-hours or less, which is now the average daily consumption.

Each of these items in the budget—cigarettes, newspapers, milk—exceeds the electric bill, yet thus far no one has requested Public Works Administrator Ickes to finance a North Carolina Cigarette Authority, or an Upper Mississippi Valley Dairy, or a Federal Newspaper Administrator—to provide the needed yardsticks.

Why only the electric yardstick?

Confidence . . .

"THE people of this country have become so accustomed to Postal Savings and have so much confidence in that system, I very much doubt if any legislation will materially affect any decline in Postal Savings."


POSTMASTER GENERAL FARLEY, statement to newspaper men.

January • 1934

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C This is one of a series of editorials written by leading advertising men on the general subject of advertising

Advertising Paid Profits *even in 1933*

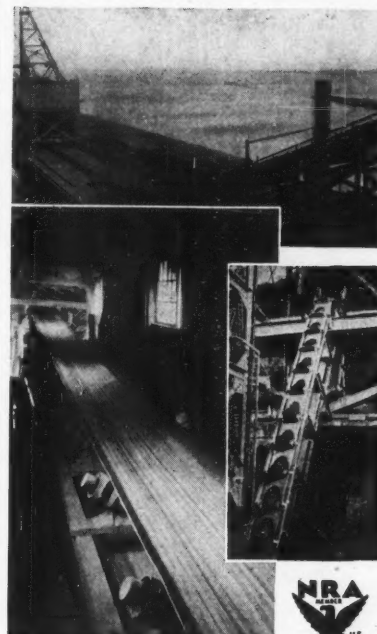
 ADVERTISING today is unlike the advertising of the boom years, and rightly so. Advertising designed to swim with the tide of a boom period is one thing, but advertising designed to battle the swift running currents and eddies of "depression" is quite another.

Advertising was quick to sense changed conditions, and alert in preparing to meet them. With fewer dollars at its command, it strove to make every dollar do double duty. Copy was, and is, scrutinized to make sure that every word is crystal clear in its meaning, that every sentence carries a compelling sales message keyed to today's business needs. It is advertising stripped of every non-essential frill, ready to do battle with the stiffest running tide—and win.

With markets shrinking and profits vanishing, advertising put up a skilfully planned, hard hitting fight for its employers, that went a long way toward saving the day for many of them, large and small. Publishers and advertising men can cite case after case of sales made by advertising in 1933.

Business men who overlook the sales building power of modern, clean cut, hard hitting Advertising in 1934, and fail to take advantage of it, may find their long established position in their industries jeopardized by more forward looking and daring competitors.

W. L. RICKARD, *President*
Rickard and Company, Inc.



*Longer Life
and Service from*

REPUBLIC

CONVEYOR and ELEVATOR BELTING

FOR EVERY TYPE of conveyor and elevator belting application, Republic offers a construction that assures long service at minimum cost. All brands possess the enduring strength for heavy strains and overloads and are built to resist moisture and constant abrasion.

Republic Belts are in wide use for the conveying of all types of bulk materials including coal, aggregates, grain, ore, hot coke and slag, as well as for the handling of castings, foods and every sort of manufactured product.

Our experienced engineers will assist you in analyzing and supplying your exact needs.

**THE REPUBLIC
RUBBER COMPANY**
YOUNGSTOWN, OHIO

*Leadership in Policy, Product
and Performance.*

... ORDER ...
REPUBLIC RUBBER PRODUCTS
FROM YOUR DISTRIBUTOR

When writing please mention Nation's Business

"Give me a report on what we'll gain by changing our casualty insurance to Mutual Companies"

And here's what the Treasurer reported —

- A very substantial saving in cost.
- Effective engineering service in regard to safety devices and measures in the plant.
- A likelihood of fewer accidents.
- Reduction of non-insurable losses.
- An association with other preferred risks.
- Direct dealing with the insurance company on claims or service.
- Protection of companies in the soundest financial condition.
- Protection in the oldest form of insurance.

MUTUAL saving to the policyholder comes largely through reduction of loss. This is brought about by careful selection of risks—by helping policyholders avoid accidents. In addition to these measures, mutual companies operate with great economy. For instance, the mutual selling cost—acquisition cost in insurance terms—is usually considerably less than other types of companies. Whatever saving is made is passed on to policyholders. There are no stockholders.

Choose from these Leading Companies

Selecting a mutual company is simplified by The National Association of Mutual Casualty Companies. In this group are 22 strong, legal reserve companies, acknowledged leaders in the field—soundly financed—organized to

render prompt and intelligent service. Assets of Association companies total over 106 million dollars; savings returned to policyholders in the past ten years—\$107,994,478.

Valuable Information—Free

A list of Association companies, and an informative booklet on their methods of operation will be sent free on request.

MUTUAL CASUALTY INSURANCE

Sound and economical protection on the following risks: accident • automobiles (all forms) • burglary and theft • fidelity • liability (all forms) • plate glass • property damage • workmen's compensation

WRITE FOR THIS BOOKLET

National Ass'n of Mutual Casualty Companies,
230 North Michigan Avenue, Chicago, Ill.

Kindly send me your booklet giving names of Association companies, and an outline of the benefits they offer.

This Seal is a Symbol of Safety



It identifies member companies of The National Association of Mutual Casualty Companies and the American Mutual Alliance. It indicates financial strength—capable management—a long record of sound operation. No safer guide for any casualty insurance buyer.

It will pay you to find out why the biggest corporations in the country buy mutual insurance.

Name _____

Street _____

City _____

When writing to NATIONAL ASSOCIATION OF MUTUAL CASUALTY COMPANIES please mention Nation's Business

ry, 1934

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